

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 14-313

Organization: The Board of Trade of the City of Chicago, Inc. ("CBOT")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): August 8, 2014 **Filing Description:** Amendments to Position Limits for Expiring U.S. Treasury Bond Futures, Short-Term Treasury Note (2-Year) Futures, and Long-Term U.S. Treasury (Ultra) Futures.

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers: CBOT Chapters 18, 21, 40 and CBOT Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook

New Product

Please note only ONE product per Submission.

- | | | |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

Official Product Name:

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | “Non-Material Agricultural Rule Change” | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected:

Rule Numbers:

August 8, 2014

VIA ELECTRONIC PORTAL

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

RE: CFTC Regulation 40.6(a) Certification. Notification Regarding Changes to Position Limits for Expiring U.S. Treasury Bond Futures, Short-Term U.S. Treasury Note Futures (2-Year), and Long-Term U.S. Treasury Bond Futures Contracts. CBOT Submission No. 14-313

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 amendments to the spot month position limits for three (3) U.S. Treasury products: U.S. Treasury Bond Futures (Rulebook Chapter 18; Commodity Code: 17); Short-Term U.S. Treasury Note Futures (2-Year) (Rulebook Chapter 21; Commodity Code: 26); and Long-Term U.S. Treasury Bond Futures (Ultra T-Bond) (Rulebook Chapter 40; Commodity Code: UBE).

The CBOT seeks to amend these position limits as follows:

- Short-Term U.S. Treasury Note Futures: Reduce from 40,000 to 35,000 contracts
- U.S. Treasury Bond Futures: Increase from 20,000 to 25,000 contracts
- Long-Term U.S. Treasury Bond Futures: Increase from 65,000 to 80,000 contracts

CBOT will implement these amended position limits starting with the March 2015 contract month. The rule changes will be made in the CBOT Rulebook effective the Exchange Business Day following the last delivery day for the December 2014 contracts, which will be Friday, January 2, 2015 for the U.S. Treasury Bond Futures and Long-Term U.S. Treasury Bond Futures contracts, and Wednesday, January 7, 2015 for the Short-Term U.S. Treasury Note Futures (2-Year) contract. Insofar as the proposed rule amendments result in decreased position limits, the Exchange concludes that timely market notification combined with delayed implementation of these lower position limits is warranted. Market notification in August 2014 with application to March 2015 futures delivery months allows the marketplace a full expiration cycle (three months' time) to consider the changes prior to implementation. This amount of advance warning should minimize any potential disruptions to trading in futures delivery months with existing open interest.

The position limits for expiring CBOT 3-Year U.S. Treasury Note Futures, Medium-Term U.S. Treasury Note Futures (5-Year) and Long-Term U.S. Treasury Note Futures (6 ½ to 10-Year) will remain at current levels – *i.e.*, 20,000, 85,000, and 70,000 contracts, respectively – reflecting the Exchange's determination that these limits are appropriate to the characteristics and supply of contract-grade Treasury notes that are eligible for delivery into these futures contracts.

For any given Treasury futures contract, the Exchange establishes and periodically reevaluates the corresponding position limit in light of both market conditions and the structure of the basket of deliverable-grade securities for such contract. Among the factors taken into consideration are (a) the size

distribution and supply of such deliverable-grade issues, (b) the proximity of market yields on deliverable-grade issues to the 6% notional yield that the Exchange uses to set conversion factors for standardization of contract delivery invoice prices, and (c) the distribution of durations among Treasury issues eligible for delivery into the contract.

CBOT first implemented position limits in expiring Treasury futures in June 2005 in an effort to mitigate congested deliveries that might arise as a result of structural imbalances between the futures and cash markets. The position limits were last reevaluated and revised in July 2013. As in those earlier instances, the aim of the present reexamination and revision is to ensure that the position limits comport with both market conditions and scale of deliverable supply.

In performing this reevaluation, the Exchange has taken into account potential implications for deliverable supply arising from the dynamics of Federal Reserve System holdings, conditions in the Treasury STRIPS market, and foreign investment in Treasury securities. None of these factors appears to undermine, or otherwise to work to the detriment of, the effectiveness of the position limits. Though the Federal Reserve System has been an aggressive buyer of Treasury securities through its open market operations since the financial crisis of late 2008, it also functions as a temporary source of Treasury issues for market participants, by way of securities lending through the System Open Market Account (SOMA). As for issues held in stripped form, these represent a small fraction of the outstanding stock of Treasury coupon-bearing securities – two percent as of June 2014. Finally, although both Treasury securities outstanding and foreign holdings of Treasury marketable debt have grown dramatically since early 2009, the share held by foreign investors has held steady at around 50 percent.

Exchange Market Surveillance and Research staff responsible for the rule amendments and the Exchange 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, Exchange staff identified that amendments may have some bearing on the following Core Principles.

- Contracts Not Readily Susceptible To Manipulation: The proposed rule change is designed to set position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury securities. As such, the proposed rule will eliminate the potential for congested deliveries of cash securities during delivery periods and thus obviate the chance of manipulation by market participants.
- Prevention of Market Disruption: The proposed rule change, which fixes position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury securities, will provide the exchange’s market surveillance, compliance, and enforcement functions with an important metric for preventing market disruptions, price distortions, and delivery disruptions during delivery periods.
- Position Limitations or Accountability: The proposed rule change, which sets position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury securities, will reduce the potential threat of market manipulation or delivery congestion during trading in the delivery month.
- Protection of Market Participants: The proposed rule change, which fixes position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury securities, will protect market participants from abusive trading practices by any party that seeks to benefit from unfair and inequitable trading practices.
- Availability of General Information: The information contained herein will be disseminated to the marketplace via Market Surveillance Notice. The Exchange will publish information on the contracts’ specifications on its website, together with daily trading volume, open interest, and price information

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that these changes comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

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>.

Should you have any questions concerning the above, please contact me at (212) 299-2200 or via e-mail at Christopher.Bowen@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Appendix A – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover)

Appendix A

**Position Limit, Position Accountability, and Reportable Level Table in Chapter 5
of the CBOT Rulebook**

(attached under separate cover)