

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 24-146

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): 10/16/24 Filing Description: Amendments to the Daily Settlement Procedure Document for all 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures Contracts

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Official Name(s) of Product(s) Affected:** 30-Year Uniform Mortgage-Backed Security (UMBS) To-Be-Announced (TBA) Futures Contracts (2.0%, 2.5%, 3.0%, 3.5%, 4.0%, 4.5%, 5.0% 5.5% and 6.0% Coupon Rates)

**Rule Numbers:** CBOT Chapter 75.

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Official Product Name:**

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

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

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

**Rule Numbers:**

October 16, 2024

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
 Office of the Secretariat  
 Commodity Futures Trading Commission  
 Three Lafayette Centre  
 1155 21<sup>st</sup> Street, N.W.  
 Washington, D.C. 20581

**Re: CFTC Regulation 40.6(a) Certification. Amendments to the Daily Settlement Procedure Document for all 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures Contracts. CBOT Submission No. 24-146**

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) certifies to the Commodity Futures Trading Commission (“CFTC” or “Commission”) amendments to the Daily Settlement Procedure document (the “Document”) for all 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures contracts (2.0%, 2.5%, 3.0%, 3.5%, 4.0%, 4.5%, 5.0% 5.5%, 6.0% and 6.5% Coupon Rates) (the “Contracts”) effective on Sunday, November 17, 2024 for trade date Monday, November 18, 2024 (collectively, the “Rule Amendments”).

Contract Title	CME Globex and CME ClearPort Code	Rulebook Chapter
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 2.0% Coupon	20U	75
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 2.5% Coupon	25U	75
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 3.0% Coupon	30U	75
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 3.5% Coupon	35U	75
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 4.0% Coupon	40U	75
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 4.5% Coupon	45U	75

30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures – 5.0% Coupon	50U	75
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 5.5% Coupon	55U	75
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures – 6.0% Coupon	60U	75
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures – 6.5% Coupon	65U	75

Since the initial launch in November 2022, the Contracts’ liquidity on the CME Globex electronic trading platform (“CME Globex”) has continued to increase. The Exchange is implementing the Rule Amendments to provide market participants with greater details regarding the Contracts’ daily settlement procedures.

Specifically, the Rule Amendments will provide a three-tiered daily settlement process for the lead and second months. The first two tiers will be based on CME Globex activity. The third tier will be based on external data and will be the midpoint of broker submitted information.

Appendix A below provides the Rule Amendments in blackline format.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the Rule Amendments may have some bearing on the following Core Principles:

- **Compliance with Rules:** The Exchange shall continue its normal practice to establish, monitor, and enforce compliance with the rules for the Contracts, including the Rule Amendments.
- **Availability of General Information:** The Exchange will release a Special Executive Report (“SER”) regarding the settlement process to ensure notification to market participants. The SER will also be posted on the CME Group website.
- **Daily Publication of Trading Information:** CME will continue to comply with this Core Principle by making public daily information on settlement prices, volume, open interest, and opening and closing ranges for the Contracts. This will be accomplished by publishing this information on a daily basis on the Exchange’s website.
- **Execution of Transactions:** The Exchange will continue to provide a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading the Contracts.

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

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>.

Should you have any questions concerning the above, please contact the undersigned at (312) 466-7478 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Timothy Elliott  
Managing Director and Chief Regulatory Counsel

Attachment: Appendix A - Amendments to Daily Settlement Procedure Document (blackline format)

## Appendix A

### Daily Settlement Procedure Document

#### 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures ("TBA Futures")

(additions underscored; deletions ~~struck through~~)

*Daily & Final settlements of TBA Futures are determined by CME Group staff based on the following approach:*

*All relevant market data available at 3:00 PM ET Time will be used to derive a settlement in each contract month.*

CME Group staff determines the daily settlements in all 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures contracts ("TBA Futures") on activity on the CME Globex electronic trading platform ("CME Globex") and CME ClearPort between 13:59:00 and 14:00:00 Central Time ("CT") (the "Settlement Period").

#### Lead Month

The designated lead month\* is settled according to the following procedure:

**Tier 1:** If the lead month contract is transacted on CME Globex or CME ClearPort during the Settlement Period, then the lead month settles to the volume-weighted average price ("VWAP") of those transactions.

**Tier 2:** If no transactions in the lead month occur on CME Globex during the Settlement Period, the most recent transaction (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 current bid or the current ask in the settlement period. If the current\*\* bid in the settlement period is higher than the last trade/prior settlement price, then the lead month settles to that bid. If the current ask in the settlement period is lower than the last trade/prior settle, then the lead month settles to that ask.

**Tier 3:** If there is no CME Globex bid or offer to validate the prior settle against, then a midpoint of broker submitted information will be used as the settlement.

#### 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 transacts on CME Globex or CME ClearPort during the Settlement Period, 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 VWAP is not available due to an absence of trades, then the 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 are no trades in the lead month-second month calendar spread, then the prior-day 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 current bid in the settlement period 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 current ask in the settlement period in that spread, then the spread settles to that ask. Additionally, if the derived second month settlement violates the current bid or the current ask in the outright market for the second month during the settlement period, then, the settlement will be adjusted to

the nearest current bid or the current ask accordingly – provided the resulting price does not violate the current bid / current ask in the spread.

**Tier 3:** If there is no CME Globex bid or offer to validate the prior settle against, then a midpoint of broker submitted information will be used as the settlement.

### **All Other Months**

**Tier 1:** To derive settlements for all remaining months, the second chronological month's net change from its prior-day settlement is applied to the back month contracts' prior-day settlements, provided that this value does not violate the current bid or current ask during the Settlement Period either the respective outrights or the consecutive-month calendar spreads.

**Tier 2:** If there is no CME Globex bid or offer to validate the prior settle against, then a midpoint of broker submitted information will be used as the settlement.

\*Lead month designations are used by CME Group to define both the anchor leg for settlements and for circuit breaker event triggers. Lead month designations are determined by CME Group according to the first chronological contract's expiration day. The lead month will be the first chronological contract until 1 day prior to the contract's expirations. These dates are all detailed in the TBA calendar tab located on the [cmegroup.com](http://cmegroup.com) page associated with each futures contract.

\*\*Current bid/ask designates the bid/ask from CME Globex that is present at the end of the Settlement Period (i.e., the bid/ask that is active at 14:00:00 CT).

### **Final Settlement**

Midpoint of broker indications will be validated against the bid and current ask from CME Globex that is present at the end of the Settlement Period (i.e., the bid/ask that is active at 14:00:00 CT). If the mid of broker indications is below the bid, then the settlement will be the bid price. If the mid is above the ask, then the settlement will be the ask. If the mid is between the bid and ask, then the settlement will be the midpoint.

Additional information regarding TBA Futures may be viewed [HERE](#).