

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 22-053 (2 of 7)

**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):** 10/14/22    **Filing Description:** Initial Listing of 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%, and 5.0% Coupon Rates)

**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)

**Rule Numbers:**

**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

**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:** 30-Year Uniform Mortgage-Backed Security (UMBS) To-Be-Announced (TBA) Futures.

**Rule Numbers:**

October 14, 2022

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
3 Lafayette Center  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

**Re: CFTC Regulation 40.2(a) Certification. Initial Listing of 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%, and 5.0% Coupon Rates).  
CBOT Submission No. 22-053 (2 of 7)**

The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) certifies to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of the 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%, and 5.0% Coupon Rates) (the “Contracts”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission of clearing via CME ClearPort effective on Sunday, November 6, 2022 for trade date Monday, November 7, 2022 as more specifically described below.

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

The Mortgage Backed Securities underlying the TBA forwards that would be delivered under the Contracts are issued or guaranteed by Freddie Mac or Fannie Mae, and thus they are exempted securities under Section 3(a)(12) of the Securities Exchange Act of 1934.<sup>1</sup>

## Section 1 – Contract Specifications

### 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%, and 5.0% Coupon Rates)

Commodity Code	20U, 25U, 30U, 35U, 40U, 45U, 50U
Trading and Clearing Hours	<b>CME Globex Pre-Open:</b> Sunday 4:00 p.m. - 5:00 p.m. CT, Monday - Thursday 4:45 p.m. - 5:00 p.m. CT  <b>CME Globex:</b> Sunday - Friday 5:00 p.m. - 4:00 p.m. CT with a 60-minute break each day beginning at 4:00 p.m. CT  <b>CME ClearPort:</b> Sunday 5:00 p.m. - Friday 5:45 p.m. CT with no reporting Monday - Thursday from 5:45 p.m. – 6:00 p.m. CT
Settlement Method	Physical
Contract Size	100,000
Product Unit of Measure	Index Points
Currency	USD
Price Quotation	Points and fractions of points with par on the basis of 100 points
Minimum Price Fluctuation	¼ of 1/32 <sup>nd</sup> of 1 point (0.0078125) = \$7.8125  1/8 <sup>th</sup> of 1/32 <sup>nd</sup> of 1 point for intra-market calendar spreads (0.00390625) = \$3.90625 per calendar spread, with block trades eligible for 1/16 <sup>th</sup> of 1/32 <sup>nd</sup> of one point (0.001953125) = \$1.953125
Minimum Daily Settlement Increment and Final Settlement Increment	¼ of 1/32 of 1 point (0.0078125)
Listing Schedule	At least nearest three (3) consecutive calendar months
Initial Listing Schedule	December 2022, January 2023, February 2023
Termination of Trading	For a given delivery month, three (3) Exchange Business Days before SIFMA TBA Notification Day. Expiring contract ceases trading at 2:00 p.m. CT.
Deliverable Grade Issuers	Fannie Mae and Freddie Mac
Deliverable Mortgage Term	30-Year
Deliverable Grade Coupons	For a given Delivery Month, futures are listed by the Exchange for delivery of specified active (current-production) mortgage coupon rates (e.g., 2.0%, 2.5%, 3.0%, 3.5%, 4.0%, 4.5%, 5.0%). Each Coupon Rate will be listed as separate product with a unique commodity code.
Deliverable Grade and Size	\$100K face value of MBS-cleared 30-year UMBS TBA at a given coupon rate. Deliveries must be made in 10 contract increments with combined deliveries of \$1 mln face value of MBS-cleared 30-year

<sup>1</sup> As government securities under Section 3(a)(42) of the Securities Exchange Act of 1934.

	UMBS TBA at a given coupon rate. Non-deliverable positions of less than 10 contracts will be cash-settled at expiration.
Qualification for Physical Delivery	Deliverable in increments of 10 contracts increments
Delivery Day	Exchange Business Day immediately following Last Trading Day
Block Trade Minimum Threshold and Reporting Window	RTH-100 contracts; ETH-50 contracts; ATH-25 contracts RTH/ETH/ATH - 15 minutes
CME Globex Matching Algorithm	F-FIFO 100%

### **Fixed-Rate To-Be-Announced (“TBA”)**

In the secondary mortgage market, fixed-rate Mortgage-Backed Securities (“MBS”) can trade on either a To-Be-Announced (“TBA”) or a specified pool basis. Dealers provide dollar-price quotes for TBA MBS on trading platforms such as Tradeweb or Bloomberg typically as far as three (3) months forward. An investor who trades TBA MBS is given limited information about the security at the time of the trade. The issuer, maturity, coupon, Par value, price, and settlement date are known, but the actual pool number and unique security identifier (i.e., the Committee on Uniform Identification Procedures or “CUSIP” number) are not. Two (2) days before the settlement date (called “48-hour day”), the seller of the TBA must provide pool information to the purchaser of the TBA contract. Pools must meet specific settlement requirements, but the collateral delivered at settlement is at the discretion of the seller and is typically adversely selected to fulfill the “cheapest to deliver” obligation at the executed TBA price.

The TBA mortgage market is highly liquid and transparent and plays a vital role in serving different purposes for a variety of market participants. Lenders use TBAs to hedge their mortgage pipelines, various trading desks use TBAs to hedge their pool investments, and money managers use TBAs to express their views on prepayment speeds and to finance alternative short-term investments. The TBA market is one of the most dynamic and liquid markets of all fixed-rate products.

*Source: [Basics of Fannie Mae Single-Family MBS](#)*

### **SIFMA TBA Market Governance**

<https://www.sifma.org/resources/general/tba-market-governance/>

The Contracts will adhere to the well-established TBA market practices in the good delivery guidelines of Securities Industry and Financial Markets Association (“SIFMA) Uniform Practices for the Clearance and Settlement of Mortgage-Backed Securities and Other Related Securities.

### **Mortgage Loan Criteria**

Provided below are the current mortgage loan criteria for both 15-year and 30-year fixed-rate single-family TBA-eligible MBS pools. The 30-year pools will be applicable to 30-year UMBS TBAs. The 15-year pools will apply if we expand the complex to include 15-year UMBS TBAs.

The following list represents important characteristics of mortgage loans eligible for unlimited inclusion in TBA-deliverable pools (“standard loans”). For complete details of characteristics of loans in various pools, please refer to the appropriate offering documentation available from the issuer.

- 30-year pools: 15 years and 1 month < Term ≤ 30 years
- 15-year pools: Term ≤ 15 years
- Fixed interest rate
- First lien

- Level payments
- Fully amortizing
- Servicing fee greater than or equal to 25 bps per loan
- Loan does not include prepayment penalty at time of MBS pool assembly
- No extended buydown provisions (ie, no more than 2 pct buydown of rate, and no buydown period longer than 2 years)
- Cannot be a cooperative share loan
- May be a participation interest in a loan
- Cannot be a relocation loan
- Cannot be a bi-weekly loan

Source: *SIFMA Uniform Practices 12. General Characteristics of Standard Loans for 15yr and 30yr Fixed-Rate Single-Family TBA-eligible Pools* pg 8-9

### **Key TBA Trade Processing Dates**

For each TBA Class, SIFMA sets one (1) Notification Day/Settlement Day pair for each month. At any given time, SIFMA publishes Notification Day/Settlement Day calendar for each of approximately 12 months in advance.

The Contracts will adhere to the Notification Date and Settlement Date for 30-Year UMBS TBAs, Class A.

1. Trade Date -- Buyer and seller agree forward purchase/sale on the basis of six MBS characteristics: issuing agency (FNMA or FHLMC), maturity, coupon, face value, price, and SIFMA TBA Settlement Day.
2. Netting Day ("72-Hour Day") – Set solely by Fixed Income Clearing - MBS Division of DTCC (MBSD). Within any given TBA Class, MBSD nets – both within and across counterparties -- all trades that have been (a) designated for TBA netting (i.e., submitted as Settlement Balance Order Destined ("SBOD")) and (b) fully matched.
3. Notification Day ("48-Hour Day") – Set solely by SIFMA. Two (2) Exchange Business Days before TBA Settlement Day, seller informs buyer of details of MBS pools to be delivered in fulfillment of TBA.
4. Settlement Day – Set solely by SIFMA. TBA buyer pays TBA seller upon delivery by seller of MBS pools specified by seller on SIFMA TBA Notification Day.

Source: *SIFMA Uniform Practices, Chapter 12, Notification and Settlement Dates*

SIFMA currently publishes Notification and Settlement Dates through December 2023:  
<https://www.sifma.org/resources/general/mbs-notification-and-settlement-dates/>

## ***Mortgage-Backed Securities Division (“MBSD”) of Fixed Income Clearing Corporation (“FICC”) of Depository Trust & Clearing Corporation (“DTCC”)***

DTCC provides clearance and settlement services for equities, corporate and municipal bonds, government bonds, mortgage-backed securities, over the counter credit derivatives, and emerging market debt. DTCC is a holding company owned by the financial services industry with operating facilities in the U.S. and abroad. Its primary subsidiaries include the Depository Trust Company (“DTC”) and two clearing corporations: the National Securities Clearing Corporation (“NSCC”) and the Fixed Income Clearing Corporation (“FICC”), each of which serves a different segment of the market.

### **FICC History**

The FICC was established in January 2003 with the merger of the Government Securities Clearing Corporation (“GSCC”) and the MBS Clearing Corporation (“MBSCC”). Its purpose is to ensure orderly settlement in the fixed income securities markets by providing clearing services to support government and mortgage-backed securities transactions. The FICC, through its MBSD, offers products and services specific to the Mortgage-backed marketplace including real-time trade comparison, confirmation, netting, and risk management. In addition, MBSD offers Electronic Pool Notification (“EPN”) services, which allow customers to transmit/retrieve mortgage-backed securities pool information using real-time standardized message formats.

Mortgage-backed securities bought and sold in the over-the-counter cash, forward, and options markets are backed by Ginnie Mae, Freddie Mac and Fannie Mae. The MBSD of FICC processes several hundred billion dollars in MBS trades each day. In the mortgage-backed securities markets, the time period between trade date and settlement date is generally much longer than it is in other markets. This lengthy settlement period presents unique challenges and risks to market participants, including an increased likelihood of pre-settlement price fluctuation and the resulting settlement exposure. To provide protection to market participants, the MBSD’s services are designed to: a) reduce operational risk through automation; b) mitigate execution risk through real-time trade comparisons; and c) reduce credit exposure through multi-lateral netting and comprehensive risk management procedures.

Given the high value of the MBS transactions that are completed daily and the long settlement cycle, this industry faces great operational risk and financial exposure in the event of a major system outage or market disruption. Thus, the MBSD’s business continuity plan is another critical component of its risk mitigation program. The FICC maintains multiple redundant data facilities and business centers throughout the U.S. to make certain that securities processing is not interrupted by a major event or regional situation. In addition, to ensure continuous connectivity to those data centers, FICC supports access to its facilities via DTCC’s Securely Managed and Reliable Technology (“SMART”) Network and SIAC’s Secure Financial Transaction Infrastructure (“SFTI”), with interconnectivity established between these two high-capacity, fault-tolerant networks.

### **Clearing Services**

MBSD Clearing Services are intended for all MBS trading participants including brokers, dealers, inter-dealer brokers, banks, GSEs, mortgage originators, insurance companies, investment companies, investment managers/advisors, mutual funds, trust companies, pension funds, and any other organization, domestic or international, active in the MBS market. Each MBSD applicant is evaluated for acceptance as

a participant on the basis of capital adequacy, operational soundness, financial resources, regulatory oversight, and business recovery.

**1. Trade Comparison/Confirmation** - All MBS trades processed in the FICC's MBSD Clearing Services are compared and matched within the FICC's Real-Time Trade Matching ("RTTM") system. RTTM compares trade submissions throughout the day as trades are executed. Submitted trades become binding obligations upon matching.

The MBSD offers two types of trade submission designed to electronically compare, match, and confirm MBS trades. The first is the MBSD's two-sided trade-comparison system, which allows any two trading principals to submit trades for comparison and confirmation. The other type of submission is the MBSD's broker give-up comparison system, which allows for the submission of trades executed on behalf of two trading principals through an interdealer broker, which results in a three-way comparison. In 2017, MBSD transitioned to Novation, which means the termination of deliver, receive and related payment obligations between Members and the replacement of such obligations with the Guaranteed/Novated Obligations to and from the Corporation. The MBSD produces a Purchase and Sale Report that serves as legally binding confirmation for compared trades and a 10b-10 compliant trade confirmation. The Purchase and Sale Report eliminates the need for exchange of trade confirmations and commitment letters.

**2. Risk Management** - The MBSD's risk reduction methodologies are based on revaluing all outstanding trades daily by marking them from contract value to current market value. This procedure ensures that each participant maintains collateral in the Participants Fund at a level sufficient to meet margin requirements.

After positions have been marked, participants with "net losses" are required to post additional margin collateral. Deposits to the Participants Fund are made in approved forms of collateral including cash, securities, and Letters of Credit. This balance represents each participant's net exposure, and may be drawn on in the event of that participant's insolvency. Each participant's margin deposit is available exclusively to offset its own liabilities, never to fulfill the obligations of another participant. Since margin deposits maintained in the participant fund are not mutualized, the MBSD supports ongoing inter-participant credit evaluations.

**3. Trade Netting and Settlement Services** - The MBSD's Netting and Settlement Services reduces a participant's overall settlement obligations by pairing off trades, regardless of contra-side identity; this greatly reduces the number of trades that require actual settlement. To achieve this, the MBSD offers Settlement Balance Order Destined ("SBOD") services for organizations that wish to net TBA trades. The SBOD system automatically performs the netting process for trades within the same MBS product, coupon rate, maturity and settlement date on a multilateral basis. The FICC's MBSD SBOD process typically eliminates the need to settle more than 90 percent of all trades submitted for netting. The resulting net buy and sell obligations require allocation and settlement.

**4. Trade-for-Trade Services** - For organizations that choose not to participate in SBOD processing, and for trades that are not SBOD-eligible or other trade executions that the contra-sides choose not to net, the MBSD offers Trade-for-Trade ("TFTD") services. TFTD transactions are submitted for matching within RTTM, but not for TBA netting. TFTD transactions receive the benefits of Trade Comparison and Risk Management, but require individual settlement of the compared trade as originally executed.

*Source: The Securities Industry and Financial Markets Association-Uniform Practices  
Ch. 4, Clearance and Settlement Infrastructure*

Deliveries of 30-Year UMBS TBA futures will be fulfilled by MBSB-cleared TBA forwards. MBSB provides clearing and settlement of MBS. DTCC's MBSB facilitates settlement of TBA CUSIPS into eligible mortgage-backed securities including 30-Year UMBS. Please refer to Exhibit 1 below for the complete list of 30-Year UMBS TBA CUSIPS that MBSB supports.

**Exhibit 1-MBSB Clearing-Eligible Securities, 30-Year UMBS (and Fannie Mae (FNMA))**

<u>DESCRIPTION</u>	<u>COUPON</u>	<u>TBA CUSIP</u>	<u>CLASS CODE</u>	<u>ELIGIBILITY</u>	<u>NOVATED</u>
FNMA/UMBS 30YR	1.5	01F0126	F001015030	SBO / TFTD / POOLNET	9/3/2020
	2	01F0206	F001020030	SBO / TFTD / POOLNET	2/24/2020
	2.5	01F0226	F001025030	SBO / TFTD / POOLNET	10/23/2017
	3	01F0306	F001030030	SBO / TFTD / POOLNET	10/23/2017
	3.5	01F0326	F001035030	SBO / TFTD / POOLNET	9/25/2017
	4	01F0406	F001040030	SBO / TFTD / POOLNET	10/23/2017
	4.5	01F0426	F001045030	SBO / TFTD / POOLNET	7/31/2017
"A"	5	01F0506	F001F50030	SBO / TFTD / POOLNET	9/25/2017
	5.5	01F0526	F001055030	SBO / TFTD / POOLNET	9/25/2017
	6	01F0606	F001060030	SBO / TFTD / POOLNET	9/25/2017
	6.5	01F0626	F001065030	SBO / TFTD / POOLNET	9/25/2017
	7	01F0706	F001070030	SBO / TFTD / POOLNET	9/25/2017
	7.5	01F0726	F001075030	SBO / TFTD / POOLNET	9/25/2017
	8	01F0806	F001080030	SBO / TFTD / POOLNET	9/25/2017
	8.5	01F0826	F001085030	SBO / TFTD / POOLNET	9/25/2017

**Definitions:**

**MBS Novation**-Termination of deliver, receive and related payment obligations between Members and the replacement of such obligations with the Guaranteed/Novated Obligations to and from the Corporation.

**Class A**-30-Year Fannie Mae (FNMA) and Freddie Mac (FHLMC)/UMBS

Source: DTCC



Note that the 2.0% coupon rate became eligible on February 24, 2020. The 1.5% coupon rate was added on September 3, 2020. The UMBS have adopted the Fannie Mae (FNMA) TBA CUSIPs.

## Section 2 – 30-Year UMBS TBA Futures

CBOT has designed the Contracts as complements to the Exchange’s extant Treasury Note and Bond futures contracts.

The Contracts will have a \$100,000 notional contract size, a minimum price fluctuation of one-quarter of one thirty-second of one price point (\$7.8125), and three monthly contracts. In addition, the Contracts shall be eligible for block and exchange-for-related-product (“EFRP”) transactions. The Contracts will also be eligible for matching as inter-commodity spreads (“ICS”) with related Treasury futures.

The Contracts will be fulfilled by delivery of MBS D-cleared 30-Year UMBS TBA forwards at a given coupon rate. Each contract will represent \$100,000 face value of an MBS D-cleared TBA forward. Deliveries must be in increments of ten (10) contracts with combined deliveries of \$1 million face value of MBS D-cleared 30-Year UMBS TBA forwards. The Contracts will be monthly contracts with coupon rates in increments of fifty basis points. At launch, the Exchange will list seven (7) active coupon rates (2.0%, 2.5%, 3.0%, 3.5%, 4.0%, 4.5% and 5.0%) for the three active contract months in the TBA market. Currently, those seven (7) coupon rates represent more than 90% of the activity. Our scope includes coupon rates ranging from 1.5% to 6.0%. The Exchange intends to add new coupon rates as the market transitions away from the initially listed coupon rates.

### ***Deliverable-grade coupon Rates***

The Exchange will make available a limited number of current production coupon rates for Class A MBS as defined in the SIFMA TBA Market Governance. For a given delivery month, contracts will be listed for coupon rates ranging from 2.0% to 5.0%. Each coupon rate will be listed as a separate product with a unique commodity code.

### ***Trading schedule***

Last trading day of the futures delivery month in an expiring contract is the 3<sup>rd</sup> Exchange Business Day before SIFMA TBA Notification Day for Class A MBS. Physical delivery occurs on the next Exchange Business Day.

### ***Futures contract size***

Each futures contract represents \$100K face-value of MBS D-cleared 30-year UMBS TBA forward at a given coupon rate. Deliveries must be made in ten (10) contract increments with combined physical delivery of \$1M face value of MBS D-cleared 30-year UMBS TBA forward at a given coupon rate. At delivery, the open long (short) position holder is assigned to be TBA buyer (seller) of an MBS D-cleared TBA forward.

### ***Restrictions on making or taking physical delivery***

Participation in the futures physical delivery process is limited to market participants who meet two criteria. First, they must be an Eligible Contract Participant (“ECP”), as that term is defined in Section 1a(18) of the Commodity Exchange Act (“CEA” or the “Act”). Second, an account that is assigned to deliver or accept delivery on an expiring contract must be a “Full” FICC MBS D clearing member, or capable of fulfilling delivery through a Full member. CME Group offers functionality known as the “Access Manager” to help Clearing Members manage client’s access to trading during the days leading up to expiration.

### ***Schedule for physical delivery on expiring contracts***

Typically, termination of trading in expiring TBA futures will occur at 2:00 p.m. Central Prevailing Time (“CPT”) three (3) Exchange Business Days before SIFMA’s Notification Day for Class A TBAs. Later that day, the CME Clearing House assigns the TBAs that are to be delivered the next Exchange Business Day, which is one (1) day prior to MBSD Netting Day.

### ***Integrity of the delivery process***

Deliveries of 30-Year UMBS TBA futures will be fulfilled by MBSD-cleared TBA forwards. Once the CME Clearing House receives confirmation that the buyer and seller have entered into a MBSD-cleared TBA forward, the role of CME Clearing is done. MBSD provides clearing and settlement of obligations with respect to the MBSD-cleared TBA forwards. The MBSD clearing and settlement process will continue to occur exactly as it does today for other TBA forward contracts.

More specifically, on the last day of trading, long and short CBOT Clearing Members must submit to the CME Clearing House intentions for delivery on a form prescribed by the CME Clearing House. The notice of intention for delivery shall include quantity, delivery method and EPN Pool ID and any other information as may be required by the Exchange. Next, the CME Clearing House will allocate Notices of Intention to Clearing Members on a pro rata basis within the same delivery method in increments of ten open long futures positions as TBA buyer, and ten (10) open short positions as TBA seller, of the contract-grade TBA.

After CME Clearing runs the assignment process, each CBOT Clearing Member will receive a report indicating the assigned counterparty for delivery. Then, the CBOT Clearing Members will enter their forward transactions into MBSD and then provide a confirmation of such to CME Clearing.

At this point in time, CME Clearing has completed its role in the process and the Exchange delivery is considered complete and the CBOT Clearing Member’s delivery margin is released. In the event the TBA confirmation is not received, and a delivery failure has been determined, the delivery margin would not be released, and CME’s delivery guarantee of financial performance would be applied.

### ***Industry Engagement***

The Exchange issued a Press Release, Special Executive Report (“SER”) and various clearing advisory notices in June 2022, several months ahead of the intended launch. The Exchange also consulted with a wide spectrum of market participants, including broker-dealers, investment managers, as well as mortgage servicers and originators. In addition, the Exchange also published a white paper on its public website providing additional details regarding the proposed product, currently available at the following link:

<https://www.cmegroup.com/articles/whitepapers/understanding-30-year-umbs-tba-futures-and-its-delivery-process.html>

During the Exchange’s product design phase, the Exchange received limited questions and comments, none of which rose to the level of substantive opposing views. The Exchange intends to include additional language in its SER and clearing advisories on a going-forward basis which will provide the marketplace even more information about this product.

## **Section 3 -- Compliance with Core Principles**

The Exchange reviewed the designated contract market core principles (“DCM Core Principles”) as set forth in the Act and identified that the following DCM Core Principles may be impacted as follows.

### ***Core Principle 2 – Compliance with Rules***

The Contracts shall be subject to CBOT Rulebook Chapter 4, which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices. Additionally, trading in the Contracts will be subject to the Exchange's trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, trading activity in the Contracts will be subject to monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

**Core Principle 3 – Contract Not Readily Subject to Manipulation**

In 2021, MBSD facilitated cumulative settlement of \$6.18 trillion face value of 30-Year UMBS across all coupon rates. The seven (7) coupon rates proposed (2.0% to 5.0%) accounted for 92.7% (\$5.73 trillion) of the monthly TBA settlements of the Contracts.

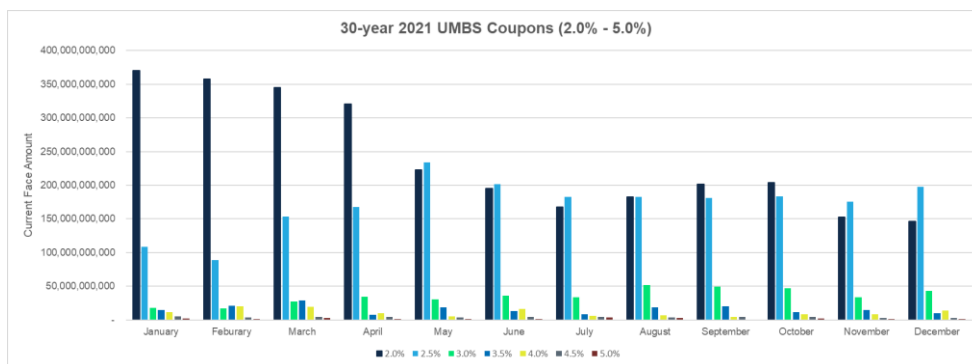
**Exhibit 2-Summary Statistics of 2021 Monthly TBA Settlements**

	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
Min	146,658,854,405	88,504,947,963	16,931,572,649	7,258,746,157	4,634,380,250	2,826,589,726	907,275,768
Q1	178,654,135,623	164,105,983,305	29,956,298,927	11,136,906,359	6,691,814,122	3,744,196,607	1,103,378,319
Average	238,883,524,922	171,274,398,509	35,082,849,108	15,579,108,227	10,810,192,462	4,087,807,628	1,779,511,935
Q3	326,681,927,997	186,732,261,034	44,192,322,941	19,095,708,247	14,283,165,017	4,529,918,517	2,495,289,004
Max	369,945,883,199	233,800,870,766	51,560,618,387	29,159,816,893	20,467,821,014	5,140,439,308	3,392,035,636

Source: DTCC's MBSD

In 2021, these seven (7) coupon rates produced average monthly settlements ranging from \$1.78 B to \$238.9 B and had minimum monthly settlements ranging \$907.3 M to \$146.7 B. During the first four (4) months (Jan-21 through Apr-21), the 2.0% coupon rate was clearly the most active in terms of MBSD settlements, giving it current coupon status. For the remainder of the year (May-21 through Dec-21), the 2.0% and 2.5% coupon rates were competing for current coupon status.

**Exhibit 3-2021 Monthly TBA Settlements (in chart)**



Source: DTCC's MBS D

#### **Core Principle 4 – Prevention of Market Disruption**

Trading in the Contracts shall be subject to CBOT Rulebook Chapters 4 and 7, which include prohibitions on manipulation, price distortion, and disruption to the expiration process. As with any product listed for trading on a CME Group designated contract market, futures trading activity shall be subject to monitoring and surveillance by CME Group's Market Regulation Department.

#### **Core Principle 5 – Position Limits or Accountability**

Position accountability thresholds for the Contracts shall be similar to the methodology applied to the U.S. Treasury Note and Bond futures complex. Position limits have been determined and will be maintained by the monthly settlement volumes of 30-Year UMBS TBA forwards at MBS D. The specific position limits and accountability levels have been provided in Appendix B attached under separate cover.

#### **Core Principle 7 – Availability of General Information**

The Exchange disseminated a Special Executive Report ("SER") that sets forth information regarding the specifications, terms, and conditions of the Contracts. The SER is also posted on CME Group's website.

#### **Core Principle 8 – Daily Publication of Trading Information**

The Exchange shall publish trading volumes, open interest levels, and price information for the Contracts daily on its website and through quote vendors.

#### **Core Principle 9 – Execution of Transactions**

The Contracts will be available for trading on CME Globex, which provides for efficient, competitive, and open execution of transactions. Additionally, CME Globex affords reliability and global connectivity. The applicable CME Globex non-reviewable trading ranges and dynamic circuit breaker functionality shall be as set forth in Appendices C and D, respectively. The Contracts will also be available for submission of clearing via CME ClearPort.

#### **Core Principle 10 – Trade Information**

All requisite trade information will be included in the audit trail and will suffice for the Market Regulation Department to monitor for market abuse.

#### **Core Principle 11 – Financial Integrity of Contracts**

The Contracts will be cleared by CME Clearing, which is registered with the Commission as a derivatives clearing organization, and which is subject to all CFTC regulations related thereto.

***Core Principle 12 – Protection of Markets and Market Participants***

CBOT Rulebook Chapters 4 and 5 set forth multiple strictures that preclude intermediaries from disadvantaging their customers. These Rules apply to trading in all of the Exchange’s competitive trading venues and will apply to transactions in the Contracts.

***Core Principle 13 – Disciplinary Procedures***

CBOT Rulebook Chapter 4 provides for the Exchange to discipline, suspend, or expel members or market participants who violate the rules of the Exchange. Trading in the Contracts will be subject to these provisions. The Exchange’s Market Regulation Department has the authority to exercise its powers of enforcement, in the event that rule violations in the Contracts are identified.

***Core Principle 14 – Dispute Resolution***

Disputes in respect of the Contracts are subject to the arbitration provisions set forth in CBOT Rulebook Chapter 6, which allow all nonmembers to submit to arbitration claims for financial loss resulting from transactions on the Exchange. Pursuant to these provisions, any member named as a respondent in any such claim submitted by a nonmember is required to participate in arbitration proceedings. Additionally, the Exchange requires members to resolve via arbitration all disputes concerning transactions on the Exchange.

Pursuant to Section 5c(c) of the Act and Regulation 40.2(a), the Exchange certifies that the Contracts comply with the Act, including all regulations thereunder. As previously noted, 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-fillings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments:	Appendix A	CBOT Rulebook Chapter 75
	Appendix B	Position Limit, Position Accountability, and Reportable Level Table, CBOT Rulebook Chapter 5 (attached under separate cover)
	Appendix C	CBOT Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
	Appendix D	CBOT Rule 589. – Special Price Fluctuation Limits and Daily Price Limits Table
	Appendix E	Exchange Fees

**Appendix A**  
**Chapter 75**  
**30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced**  
**(TBA) Futures**

**75100. SCOPE OF CHAPTER**

This chapter is limited in application to trading of 30-Year UMBS TBA futures (“futures”). In addition to this chapter, futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

Unless otherwise specified, times referenced herein shall indicate Central Prevailing Time (“CPT”).

**75101. CONTRACT SPECIFICATIONS**

**75101.A. Contract Grade**

The contract grade for delivery on futures made under these Rules shall be the Depository Trust & Clearing Corporation’s (DTCC) Fixed Income Clearing Corporation (FICC) Mortgage-Backed Securities Division (MBSD)-cleared 30-Year UMBS TBA contracts which have the following standards:

1. **Issuers:** Fannie Mae and Freddie Mac
2. **Mortgage Term:** 30-Year
3. **Deliverable Grade and Size:** \$100,000 face value of MBSD-cleared 30-Year UMBS TBA at a given coupon rate. Deliveries must be made in ten contract increments with combined deliveries of \$1,000,000 face value of MBSD-cleared 30-Year UMBS TBA at a given coupon rate.
4. **Qualification for Physical Delivery:** Ten (10) contract increments.
5. **Cash-Settlement:** Non-deliverable positions of less than ten (10) contracts will be cash-settled at expiration. Positions of ten (10) contract increments may be cash-settled if matched with positions of less than ten (10) contracts during the delivery process. Due to the commercial nature of this market and the requirement of \$1,000,000 face value for delivery, TBA Buyers and TBA Sellers holding long or short open positions in an expiring futures contract must use commercially reasonable efforts to maintain positions in increments of ten (10) contracts to match the “good-deliveries” threshold (CBOT Rule 75104.E) and to liquidate any position in an increment of less than ten (10) contracts prior to expiration.
6. **Fixed Rates:** For a given Delivery Month, futures are listed by the Exchange for delivery of specified active (current-production) mortgage coupon rates. Futures contract Fixed Rates set by the Exchange at integer multiple of fifty (50) basis points (i.e., one half of one percent) per annum when such futures contract is initially listed for trading.
7. **Mortgage Loan Criteria:** Must fulfill conforming 30-Year fixed-rate single-family TBA-eligible MBS pools.
8. **TBA Buyer:** Long futures in delivery. Expect to receive conforming agency MBS pools in exchange for fixed rate. Expect to take delivery of agency pass-through securities.
9. **TBA Seller:** Short futures in delivery. Expect to deliver conforming agency MBS pools in exchange for fixed rate. Expect to make delivery of agency pass-through securities.
10. **Last Trading Day (LTD):** Three (3) Exchange Business Days prior to SIFMA TBA Notification Date.
11. **Delivery Day:** Exchange Business Day immediately following LTD.
12. **Listed Delivery Months:** At least nearest three (3) calendar months at any given time

**75102. TRADING SPECIFICATIONS**

The number of contract delivery months open for trading at a given time shall be determined by the Exchange. Without limitation to the foregoing, the Exchange customarily shall list for trading futures contracts for delivery in at least each of the three (3) nearest calendar months.

For a given futures contract for a given delivery month, the Exchange shall determine the value of the Fixed Rates that shall standardize the Contract Grade for such futures contract (CBOT Rule

75101.A.6.). The Exchange also shall determine whether, and when, to list for trading any additional futures contract(s) for such delivery month that are standardized to Fixed Rate coupon(s) different from the available Fixed Rate coupons of such futures contract.

#### **75102.A. Trading Schedule**

Contracts shall be scheduled for trading during such hours and for delivery in such months as may be determined by the Exchange. On the last day of trading in an expiring contract (CBOT Rule 75102.F.), the close of the expiring contract shall be permitted thereafter for a period not to exceed one (1) minute.

#### **75102.B. Trading Unit**

The unit of trading shall be contracts that meet Contract Grade (CBOT Rule 75101.A.) having notional amount of one hundred thousand U.S. dollars (\$100,000) or multiples thereof.

#### **75102.C. Price Increments**

Par shall be on the basis of 100 points, with each point equal to \$1,000 per contract. For trades executed on the CME Globex electronic trading platform, the minimum price fluctuation shall be one-quarter of one thirty-second ( $1/4$  of  $1/32^{\text{nd}}$ ) of one point (equal to \$7.8125 per contract), except for intermonth and intramonth spreads for which the minimum price fluctuation shall be one-eighth of one thirty-second ( $1/8$  of  $1/32^{\text{nd}}$ ) of one point (equal to \$3.90625 per contract). For intermonth spread transactions submitted for clearing through CME ClearPort, the minimum price fluctuation shall be one-sixteenth of one thirty-second ( $1/16$  of  $1/32^{\text{nd}}$ ) of one point (equal to \$1.953125 per contract).

Contracts shall not be made on any other price basis.

#### **75102.D. Special Price Fluctuation Limits**

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589. and in the Special Price Fluctuation Limits and Daily Limits Table in the Interpretations & Special Notices Section of Chapter 5.

#### **75102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559. for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

#### **75102.F. Termination of Trading**

Trading in an expiring futures contract shall terminate three (3) Exchange Business Days before the Notification Day for Class A instruments defined by the Securities Industry and Financial Markets Association (SIFMA) in the MBS Notification Settlement Dates section on the TBA Market Governance website.

#### **75102.G. Final Settlement Price**

On the expiring contract's last day of trading, the Exchange shall determine a Final Settlement Price based upon market activity from multiple sources. The Final Settlement Price will be used for deliveries and cash settlement of open positions.

#### **75102.H. Final Settlement**

Subject to CBOT Rule 75101.A., deliverable positions must be in increments of ten (10) contracts. Clearing Members holding open long or short positions in a contract month at the time of termination of trading in such contract shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the Final Settlement Price (CBOT Rule 75102.G.). Non-deliverable positions of less than ten (10) contracts will be cash-settled based on the Final Settlement Price. Positions of ten (10) contract increments may be cash-settled if matched with non-deliverable positions of less than ten (10) contracts during the delivery process.

#### **75103. DATE OF DELIVERY**

Subject to CBOT Rule 75104., delivery on an expiring futures contract shall be made by a short MBSD clearing member, and shall be taken by a long MBSD clearing member, on the Exchange Business Day immediately following the last trading day of the futures delivery month (CBOT Rule 75102.).

#### **75104. DELIVERIES ON EXPIRING FUTURES CONTRACTS**

##### **75104.A. Requirements for Participation in Delivery**

For an account carried by a Clearing Member to make or accept delivery on an expiring futures contract, the holder of such account is required to be:

1. an Eligible Contract Participant, as that term is defined in Section 1a(18) of the Commodity Exchange Act; and
2. capable of fulfilling futures delivery through a "Full" FICC MBSD clearing member ("MBSD clearing member") that is either an affiliated or unaffiliated Exchange Clearing Member. Limited Member for Electronic Pool Notification (EPN) Service is insufficient.

Subject to these requirements and to CBOT Rules 75104.B. and 75104.C., upon Termination of Trading in such expiring futures (CBOT Rule 75102.F.), the holder of each such account that holds a long interest in such futures contract shall be required to provide confirmation to the Clearing House establishing position of TBA Buyer in increments of ten (10) contracts that meet Contract Grade (CBOT Rule 75101.A.) and fulfill Qualification for Physical Delivery, and the holder of each such account that holds a short interest in such futures contract shall be required to provide confirmation to the Clearing House establishing position of TBA Seller of ten (10) contracts that meet Contract Grade and fulfill Qualification for Physical Delivery.

##### **75104.B. Clearing Member Obligations in Delivery**

Subject to the provisions of Exchange Rulebook Chapters 7, 8, and 9, as of the termination of trading in an expiring futures contract (CBOT Rule 75102.F.), each Clearing Member that carries accounts holding long or short interest in such expiring futures contract shall submit and:

1. ensure that the requirements set forth in CBOT Rule 75104.A. are met;
2. in accord with the requirements set forth in CBOT Rule 75104.B., ensure that the holder of each such account has designated (a) the MBSD Account(s) in which the holder shall make or accept any deliveries on expiring futures contracts and (b) the MBSD clearing member(s) carrying such MBSD Account(s);
3. ensure that any MBSD clearing member carrying such MBSD Account(s) as may be designated pursuant to CBOT Rule 75104.C.2. has been notified of such designation; and
4. obtain acknowledgement from each MBSD clearing member designated pursuant to CBOT Rule 75104.C.2. that such MBSD clearing member shall guarantee and assume complete responsibility for the performance of all delivery requirements in respect of such expiring futures (CBOT Rule 75104.E.).



Where a Clearing Member carries accounts holding interest both long and short in such expiring futures contract, the Clearing Member must fulfill CBOT Rule 75104.C. so as to procure that delivery shall be made by all such accounts holding short interest and shall be accepted by all such accounts holding long interest.

#### **75104.C. Clearing Member Reporting Obligations Prior to Delivery**

Each Clearing Member that carries accounts holding long or short interest in an expiring futures contract shall report to the Clearing House, on each of the last three (3) days of trading in such expiring futures, an accurate inventory of such long and short interest, in such manner and at such times as the Clearing House may prescribe, provided that such inventory must include, for each account holding long or short interest:

1. declaration of the number of expiring futures contracts held long, and the number of expiring futures contracts held short, in such account;
2. confirmation whether such account meets—the requirements set forth in CBOT Rule 75104.A.

#### **75104.D. Notification of DTCC FICC MBSB Clearing Members in Delivery**

##### **Intention Day**

Not later than 4:00 p.m. on the last day of trading, long and short Clearing Members must submit to the Clearing House intentions for delivery on a form prescribed by the Clearing House. The notice of intention for delivery shall include quantity, delivery method and EPN Pool ID and any other information as may be required by the Exchange.

The Clearing House shall allocate Notices of Intention to Clearing Members on a pro rata basis within the same delivery method in increments of ten (10) open long futures positions as TBA Buyer, and ten (10) open short positions as TBA Seller.

Non-deliverable positions of less than ten (10) contracts will be cash-settled based on the final settlement price. Positions of ten (10) contract increments may be cash-settled if matched with non-deliverable positions of less than ten (10) contracts during the delivery process.

The Clearing House shall provide delivery notices to Clearing Members after 5:00 p.m. on the last trading day in an expiring futures contract (CBOT Rule 75102.F.), the Clearing House shall notify each MBSB clearing member carrying one or more MBSB Accounts that are required to make or accept delivery in fulfillment of such expiring futures, as designated pursuant to CBOT Rule 75104.C. For each such MBSB clearing member, such Clearing House notification shall include:

1. identification of MBSB Accounts, carried by such MBSB clearing member, that are required to accept delivery on long futures positions; the size of each such long futures position; and the identity of the MBSB clearing member(s) carrying the account(s) in which each such long futures position is held; and /or
2. identification of MBSB Accounts, carried by such MBSB clearing member, that are required to make delivery on short futures positions; the size of each such short futures position; and the identity of the MBSB clearing member(s) carrying the account(s) in which each such short futures position is held.

#### **75104.E. DTCC FICC MBSB Clearing Member Obligations in Delivery**

Every ten (10) futures contracts that are delivered shall be a MBSB cleared TBA that matches the “good-delivery millions” threshold. To fulfill the delivery obligation for a long futures position of ten (10) contracts, the TBA confirmation must demonstrate that one MBSB cleared TBA Buyer has been established for the same Contract Grade (Fixed Rate, Delivery Month). To fulfill the delivery obligation for a short futures position of ten (10) contracts, the TBA confirmation must demonstrate that one MBSB cleared TBA Seller has been established for the same Contract Grade (Fixed Rate, Delivery Month).

The TBA confirmation must include the following details: product (issuer, coupon, term), trade date, quantity, price, direction (buy/sell), and settlement date of the TBA trade.

TBA Buyer and TBA Seller are required to provide confirmation of TBA transfer by 3:00 p.m. on the delivery day or as may be prescribed by the Clearing House.

In the event that an MBSD clearing member disputes such notification of delivery on expiring futures as it may receive from the Clearing House, pursuant to CBOT Rule 75104.E., such MBSD clearing member shall promptly notify the Clearing House, and the dispute must be settled prior to 4:00 p.m. on the Delivery Date in fulfillment of such expiring futures (CBOT Rule 75104.D.),

#### **A. Matched TBA Buyers and TBA Sellers for Delivery**

1. By holding open positions into the Intention Day that are matched for delivery, the matched TBA Buyer and TBA Seller are deemed to have entered into a transaction as a single, separate and independent legally binding agreement. Each transaction is a valid and legally binding obligation of, and shall be enforceable against the parties.
2. TBA Buyer and TBA Seller agree and understand that all responsibility for any TBA delivery obligation remains solely with the TBA Buyer and TBA Seller.
3. TBA deliveries shall be deemed completed with confirmations that verify establishing MBSD positions that fulfill the futures delivery obligations.
4. All deliveries shall be conducted in conformity with the FICC-MBSD Clearing Rules and the good delivery guidelines of SIFMA's Uniform Practices for the Clearance and Settlement of Mortgage-Backed Securities and Other Related Securities (CBOT Rule 75104.B.) (CBOT Rule 75104.C.) (CBOT Rule 75104.D.).

#### **75104.F. Additional DTCC FICC MBSD Processes**

##### **B. Comparison and Verification of Confirmations**

###### **1. Discrepancies in Confirmations**

Upon receipt of a confirmation for either a TBA or a specified transaction, each party to the transaction is responsible for comparing and verifying the confirmation to ascertain whether any discrepancies exist. The party discovering any such discrepancy should promptly communicate the discrepancies to the contra party, and both parties should promptly attempt to resolve them.

###### **2. Unrecognized Trades**

If a party receives a confirmation for a transaction that it does not recognize, it should promptly seek to ascertain whether a trade occurred and the terms of the trade.

a. If the receiving party determines that a trade did occur and the confirmation received was correct, the receiving party should immediately notify the confirming party by telephone and, within one (1) Exchange Business Day thereafter, send a confirmation of the transaction to the confirming party.

b. If the receiving party cannot confirm the trade, the receiving party should immediately notify the confirming party by telephone to that effect.

###### **3. Failure to Receive a Confirmation**

If a party has sent a confirmation of a transaction, but fails to receive a confirmation or a nonrecognition notice from the contra party within five (5) calendar days of the trade date, the confirming party should, but is not obligated to, promptly seek to ascertain whether the confirmation was received by immediately notifying the nonconfirming party by telephone that a confirmation for a trade has been sent to it and no response has been received, and, within one (1) Exchange Business Day thereafter, sending a notice to the nonconfirming party indicating failure to confirm.

Upon receipt of telephone notice from the confirming party, the nonconfirming party should check its records and respond to the confirming party as follows:

a. If the nonconfirming party determines that a trade did occur, it should immediately notify the confirming party by telephone to that effect and, within one (1) Exchange Business Day thereafter, send a confirmation of the transaction to the confirming party.

b. If the nonconfirming party cannot confirm the trade, it should immediately notify the confirming party by telephone to that effect and, within one (1) Exchange Business Day thereafter, send a notice to the confirming party indicating nonrecognition of the transaction.

#### **4. Content of Notices Regarding Verifications**

Any notice indicating nonrecognition of a transaction or failure to confirm a transaction should contain sufficient information to enable the recipient to identify the transaction and confirmation to which the notice relates. The notice should include the information required in confirmations for TBA transactions or specified transactions, as the case may be, as well as the confirmation number.

Additionally, the notice should specify the date and identify the firm and person providing the notice. The requirements of this paragraph may be satisfied by providing a copy of the confirmation of an unrecognized transaction, marked "don't know, ("DK")" together with the date and the name of the firm and person providing the notice.

#### **5. Settlement by Parties Prior to Verification**

Parties may settle transactions prior to receipt of confirmations, provided that each party to the transaction will be responsible for sending the other party, within one (1) Exchange Business Day of settlement, a confirmation evidencing the terms of the transaction. For example, where parties enter into a specified trade on Monday for settlement Tuesday, the parties may settle on Tuesday even though they have not received each other's confirmations, provided they agree to the terms of the transaction. In other words, a party cannot "DK" a transaction that it recognizes simply for failure to receive a confirmation. However, a party may "DK" an unrecognized trade.

#### **C. Errors and Omissions**

Minor errors or omissions in the transmission of information that do not affect the TBA Buyer's right to redeliver the securities (e.g., an error in the issuer's name or month of maturity) shall not result in a postponement of delivery or payment.

Net TBA Sellers are required to inform net purchasers of the specific mortgage pools being allocated at least 48 hours before delivery to meet TBA contract obligations.

#### **D. Pool Notification for the Settlement of TBA Trades**

In accordance with the 48-Hour requirement (CBOT Rule 75104.F.C.), the TBA Seller must first communicate to the TBA Buyer the following information:

1. the identification of the firm sending the information;
2. the number of trades and "good-delivery millions";
3. the coupon rate and product;
4. the trade date and settlement date; and
5. the price.

After the above information has been provided, the following information is required to be provided by the TBA Seller to the TBA Buyer:

1. the pool or group number;
2. the original face for each pool or group number within the transaction; and
3. identification of pools issued in the current month as "new," or the issue date and maturity date of such pools.

If the information required is not communicated within the time frames specified in the 48-hour requirement (CBOT Rule 75104.F.C.), the TBA Seller cannot make delivery earlier than two (2) Exchange Business Days after the date on which such information is transmitted in accordance with these time frames, unless otherwise agreed to by the TBA Buyer.

If the mode of pool notification is via EPN, the procedures detailed in the MBS-D-FICC User Guide should be followed. \*

#### **75104.G. DTCC FICC MBS-D Disruption Contingency Plans**

1. This guideline sets forth contingency procedures to be followed in the event that FICC-MBS-D experiences a system disruption. Pool notification extensions would be triggered only by a notification from FICC-MBS-D that FICC systems are experiencing a disruption in service.

- a. **The Association's Good-Delivery Cut-Off Time** - Unless FICC-MBSD provides a notification that FICC systems are experiencing a system disruption and requests that the 48-Hour requirement (CBOT Rule 75104.F.C.) will remain in effect. In the event MBSD-FICC notifies the Association of a FICC system disruption and requests an extension, the 48-Hour requirement (CBOT Rule 75104.F.C.) will be superseded by the pool notification extension guideline described in subsection 2 below.
  - b. **The Association's Cancel-Correct Cut-Off Time** - Unless FICC-MBSD provides a notification that FICC systems are experiencing a disruption and requests an extension, the Association's recommended cancel-correct cutoffs as set forth in Section C of this chapter will remain in effect. In the event MBSD-FICC notifies the Association of a FICC system disruption and requests an extension, the guidelines in Section C of this chapter will be superseded by the extension guideline described in CBOT Rule 75104.G.2.
  - c. **Notification of Extension** - In the event that FICC-MBSD experiences a FICC system disruption and requests an extension, the Association will effect a broad notification throughout the industry of such extension and the ultimate resolution of such a disruption.
2. **Guideline Concerning Industry-Wide Extension of the 48-Hour Rule for Pool Notification**  
This guideline is designed to address 'typical' disruptions of FICC's systems. It is not intended to address extraordinary circumstances. In such instances the association will facilitate emergency discussions with relevant industry participants, FICC, and other parties to determine the appropriate course of action.

**Appendix B**

**CBOT Rulebook**

**Chapter 5**

**(“Trading Qualifications and Practices”)**

**Position Limit, Position Accountability, and Reportable Level Table**

(attached under separate cover)

## Appendix C

### CBOT Rulebook

#### Chapter 5

#### (“Trading Qualifications and Practices”)

#### Rule 588.H. (‘‘Globex Non-Reviewable Trading Ranges’’) Table

Instrument	Globex Symbol	Outrights			Spreads	
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR:Minimum Ticks	NRR: Globex Format	NRR: Outright Minimum Ticks
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 1.5% Coupon</u>	<u>15U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 2.0% Coupon</u>	<u>20U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 2.5% Coupon</u>	<u>25U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 3.0% Coupon</u>	<u>30U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 3.5% Coupon</u>	<u>35U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 4.0% Coupon</u>	<u>40U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 4.5% Coupon</u>	<u>45U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 5.0% Coupon</u>	<u>50U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 5.5% Coupon</u>	<u>55U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 6.0% Coupon</u>	<u>60U</u>	<u>16/32 of 1 point (\$1,000)</u>	<u>0.5</u>	<u>64</u>	<u>0.125</u>	<u>16</u>

## Appendix D

### CBOT Rulebook

#### Chapter 5

#### (“Trading Qualifications and Practices”)

#### Rule 589. Special Price Fluctuation Limits and Daily Price Limits Table

Product	Rulebook	Commodity Code	PRIMARY/ASSOCIATED	ASSOCIATED WITH	Dynamically Calculated Variant - All Hours
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 1.5% Coupon</u>	<u>75</u>	<u>15U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 2.0% Coupon</u>	<u>75</u>	<u>20U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 2.5% Coupon</u>	<u>75</u>	<u>25U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 3.0% Coupon</u>	<u>75</u>	<u>30U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 3.5% Coupon</u>	<u>75</u>	<u>35U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 4.0% Coupon</u>	<u>75</u>	<u>40U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 4.5% Coupon</u>	<u>75</u>	<u>45U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 5.0% Coupon</u>	<u>75</u>	<u>50U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 5.5% Coupon</u>	<u>75</u>	<u>55U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>
<u>30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures - 6.0% Coupon</u>	<u>75</u>	<u>60U</u>	<u>Primary</u>	<u>Primary</u>	<u>2.00 points</u>

## Appendix E

### Exchange Fees

Level	Account Owner	Execution Type	Venue/ Transaction Type	TBA Futures
<b>Individual Member</b>				
1	Individual Members	Member Account Owner	CME Globex	\$0.16
			EFP EFR Block	\$0.45
	Individual Delegates	Delegate Trading Own Account	CME Globex	\$0.17
			EFP EFR Block	\$0.46
<b>Equity Members (Individual Equity members, Clearing Firms and Equity Firms)</b>				
2	Equity Members	Member or Delegate	CME Globex	\$0.16
			EFP EFR Block	\$0.45
		Non-Member	CME Globex	\$0.25
			EFP EFR Block	\$0.45
	Rule 106.S. Family of Funds Equity Member Firms	Member, Delegate or Non-Member	CME Globex	\$0.25
			EFP EFR Block	\$0.45

*(Execution Not a Factor in Membership Types Below)*

Level	Account Owner	Execution Type	Venue/ Transaction Type	TBA Futures
<b>Trading Members (Individual Non-Equity Members and Non-Equity Member Firms)</b>				
3	Individual Non-Equity Members (other member/delegate executing); Rule 106.H. Corporate Trading Firms; Rule 106.H. Trading FCMs; & Rule 106.I. Affiliate Trading Member Firms	Member, Delegate or Non-Member	CME Globex	\$0.31
			EFP EFR Block	\$0.50
	Individual Delegates (Other Member or Delegate executing the trade) & Rule 106.I. Affiliate Trading Member Firms	Member, Delegate or Non-Member	CME Globex	\$0.44
			EFP EFR Block	\$0.60
	Rule 106.S. Family of Funds Trading Member Firms	Member, Delegate or Non-Member	CME Globex	\$0.31
			EFP EFR Block	\$0.50

Level	Account Owner	Execution Type	Venue	TBA Futures
<b>Electronic Corporate Member Firm</b>				
4	Rule 106.R Electronic Corporate Member Firms (For other than CME Globex - Non-Member rates apply)	Member, Delegate or Non-Member	CME Globex	\$0.44
<b>Non-Members</b>				
5	International Incentive Program (IIP) and International Volume Incentive Program (IVIP) Participants	Member, Delegate or Non-Member	CME Globex	\$0.70
			EFP EFR Block	\$0.85
	Central Bank Incentive Program (CBIP) and Latin American Fund Manager Incentive Program (FMIP) Participants (For other than CME Globex - Non-Member rates apply)	Member, Delegate or Non-Member	CME Globex	\$0.70
	Non-Members	N/A	CME Globex	\$0.70
			EFP EFR Block	\$0.85



<b>Processing Fees</b>	<b>Fee</b>
Exchange Fees for Non-Trades (Member/Delegate/Non-Member)	\$0.10/\$0.25/\$0.55
Exchange Fees for Non-Trades - Expired Options	\$0.10
Facilitation Fee	\$0.00
Give-Up Surcharge	\$0.06
Position Adjustment/Position Transfer	\$0.10