

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 22-470 (2 of 2)

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): 11/21/22 Filing Description: Initial Listing of the 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures Contracts (5.5% and 6.0% Coupon Rates)

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                          |                                     |            |
|--------------------------|-------------------------------------|------------|
| <input 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:**

**New Product**

Please note only ONE product per Submission.

- |                                     |                                       |            |
|-------------------------------------|---------------------------------------|------------|
| <input checked="" 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     |

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

**Rule Numbers:**

November 21, 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 Expansion of the 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures Contracts (5.5% and 6.0% Coupon Rates).  
CBOT Submission No. 22-470 (2 of 2)**

The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) certifies to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the expansion of the 30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures contracts (5.5% and 6.0% 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, December 11, 2022 for trade date Monday, December 12, 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 - 5.5% Coupon	55U	<a href="#">75<sup>1</sup></a>
30-Year Uniform Mortgage-Backed Securities (UMBS) To-Be-Announced (TBA) Futures – 6.0% Coupon	60U	<a href="#">75</a>

CBOT initially listed 2.0%, 2.5%, 3.0%, 3.5%, 4.0%, 4.5% and 5.0% coupon rates of the 30-Year UMS TBA Futures on trade date Monday, November 7, 2022 (see CBOT Submission No. [22-053](#) dated October 14, 2022.)

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>2</sup>

<sup>1</sup> No changes to the product chapter are required as a result of the launch of the additional coupon rates.

<sup>2</sup> As government securities under Section 3(a)(42) of the Securities Exchange Act of 1934.

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## Section 1 – Contract Specifications

### 30-Year Uniform Mortgage-Backed Security (UMBS) To-Be-Announced (TBA) Futures Contracts (5.5%, and 6.0% Coupon Rates)

Commodity Code	55U, 60U
Trading and Clearing Hours	<p><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</p> <p><b>CME Globex Preopen:</b> Sunday 4:00 p.m. - 5:00 p.m. CT, Monday - Thursday 4:45 p.m. - 5:00 p.m. CT</p> <p><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</p>
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	<p>¼ of 1/32<sup>nd</sup> of 1 point (0.0078125) = \$7.8125</p> <p>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</p>
Minimum Daily Settlement Increment and Final Settlement Increment	¼ of 1/32 of 1 point (0.0078125)
Listing Schedule	Nearest three (3) consecutive calendar months
Initial Listing Schedule	January 2023, February 2023, March 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%, 5.5%, 6.0%). Each Coupon Rate will be listed as separate product with a unique product code.
Deliverable Grade and Size	\$100K face value of MBSD-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 MBSD-cleared 30-year 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	RTH-100; ETH-50; ATH-25

**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 MBSD-cleared TBA forwards. MBSD provides clearing and settlement of MBS. DTCC's MBSD 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 MBSD supports.

**Exhibit 1-MBSD 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 MBSD-cleared 30-Year UMBS TBA forwards at a given coupon rate. Each contract will represent \$100,000 face value of an MBSD-cleared TBA forward. Deliveries must be in increments of ten (10) contracts with combined deliveries of \$1 million face value of MBSD-cleared 30-Year UMBS TBA forwards. The Contracts will be monthly contracts with coupon rates in increments of fifty basis points. The Exchange will list two (2) additional active coupon rates (5.5% and 6.0%) for the three active contract months in the TBA market. As rates rise, those two (2) coupon rates are becoming more relevant. 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 6.0%. 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 MBSD-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 MBSD-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 MBSD-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 MBSD 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.

### **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.

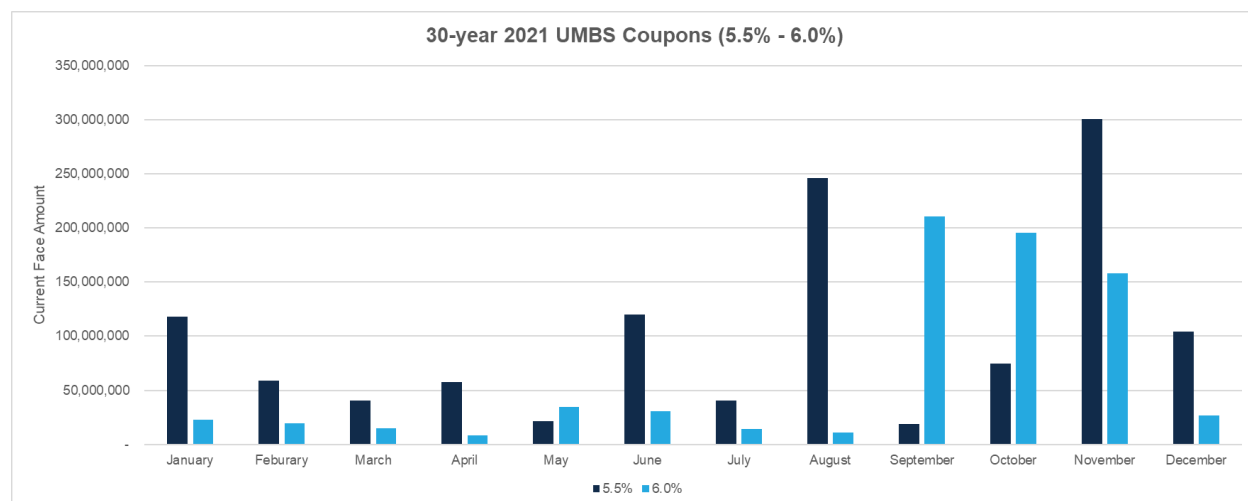
## Exhibit 2-Summary Statistics of 2021 Monthly TBA Settlements

	5.5%	6.0%
Min	18,750,273	8,580,349
Q1	40,688,864	14,596,569
Average	100,216,608	62,271,743
Q3	118,322,560	65,444,390
Max	300,712,042	210,520,210

Source: DTCC's MBSD

In 2021, these two (2) coupons produced average monthly settlements of \$100.2 M (5.5%) and \$62.27 M (6.0%). They had minimum monthly settlements of \$18.8 M (5.5%) and \$8.6 M (6.0%). However, as the chart below demonstrates, the 5.5% and 6.0% coupons have gained more traction as active/current coupons as rates were rising in November and December 2021.

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



Source: DTCC's MBSD

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

**Appendix A**  
**CBOT Rulebook**  
**Chapter 5**  
**(“Trading Qualifications and Practices”)**  
**Position Limit, Position Accountability, and Reportable Level Table**

(attached under separate cover)

## Appendix B

### 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 - 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 C

### 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 - 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 D

### 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
			EFPI EFR Block	\$0.45
	Individual Delegates	Delegate Trading Own Account	CME Globex	\$0.17
			EFPI 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
			EFPI EFR Block	\$0.45
		Non-Member	CME Globex	\$0.25
			EFPI EFR Block	\$0.45
	Rule 106.S. Family of Funds Equity Member Firms	Member, Delegate or Non-Member	CME Globex	\$0.25
			EFPI 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	
			EFPI 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
				EFPI EFR Block	\$0.60
	Rule 106.S. Family of Funds Trading Member Firms	Member, Delegate or Non-Member	CME Globex	\$0.31	
			EFPI 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
			EFPI 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
			EFPI 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