CME Group

4 October 2011

Mr. Richard Shilts
Division of Market Oversight
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: Notification of Change to Initial Strike Price Arrays for Standard Options on Short-Term and Medium-Term U.S. Treasury Note Futures.

Dear Mr. Shilts:

By this correspondence, the Chicago Board of Trade, Inc. ("CBOT" or "Exchange") wishes to inform staff in the Division of Market Oversight that it intends to reconfigure initial strike price arrays for standard options on Short-Term U.S. Treasury Note Futures (2-Year) and standard options on Medium-Term U.S. Treasury Note Futures (5-Year). These changes will take effect as of trade date ***Monday, November 7, 2011***, with application to options on futures for delivery in December 2011 and thereafter.

Under CBOT Rules 20A01.E. and 21A01.E. for 5-Year Note options and 2-Year Note options, respectively, the Exchange may modify the procedures for introduction of option strike prices, at its discretion and as it deems appropriate to market conditions. Accordingly, the CBOT intends to implement the following changes:

- ***2-Year Note options:*** Reduce strike price increments from 1/4 to 1/8 of one price point.
- ***5-Year Note options:*** Reduce strike price increments from 1/2 to 1/4 of one price point.
- ***2-Year Note and 5-Year Note options:*** Redefine initial strike price arrays to comprise the at-the-money ("ATM") strike plus 30 strikes above ATM and 30 strikes below ATM. Currently, initial strike price arrays for both option families comprise ATM plus 15 strikes above and 15 strikes below.

Attachment 1 presents the requisite clarifications to CBOT Rules 20A01.E. and 21A01.E. for standard options on 5-Year Note futures and 2-Year Note futures, respectively. If you have questions or require additional information regarding this matter, please contact me or my colleagues Daniel Grombacher (daniel.grombacher@cmegroup.com, 312.634.1583) or Tim Elliott (tim.elliott@cmegroup.com, 312.466.7478).

Sincerely,

/s/ Frederick Sturm
Director, Research & Product Development

cc: Thomas Leahy, Jr, Chief, Product Review Branch, Division of Market Oversight
Phil Colling, Product Review Branch, Division of Market Oversight

Attachment 1
Standard Options on Medium-Term U.S. Treasury Note Futures
and Short-Term U.S. Treasury Note Futures

(Additions are underlined; deletions are ~~struckthrough~~.)

Standard Options on Medium-Term U.S. Treasury Note Futures

20A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integer ~~integral~~ multiples of one-quarter (1/4) ~~half (1/2)~~ point per Medium-Term U.S. Treasury Note futures contract as follows:

At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the Medium-Term U.S. Treasury Note futures contract's previous day's settlement price and the next thirty ~~fifteen~~ consecutive higher and the next thirty ~~fifteen~~ consecutive lower striking prices closest to the previous day's settlement price. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least thirty ~~fifteen~~ striking prices always exist above and below the previous day's settlement price on the underlying futures. All new striking prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.

Standard Options on Short-Term U.S. Treasury Note Futures

21A01.E. Exercise Prices

Trading shall be conducted for put and call options with striking prices in integer ~~integral~~ multiples of one-eighth (1/8) ~~quarter (1/4)~~ point per Short-Term U.S. Treasury Note futures contract as follows:

At the commencement of trading for such option contracts, the following striking prices shall be listed: one with a striking price closest to the Short-Term U.S. Treasury Note futures contract's previous day's settlement price and the next thirty ~~fifteen~~ consecutive higher and the next thirty ~~fifteen~~ consecutive lower striking prices closest to the previous day's settlement price. If the previous day's settlement price is midway between two striking prices, the closest price shall be the larger of the two. Over time, new striking prices will be added to ensure that at least thirty ~~fifteen~~ striking prices always exist above and below the previous day's settlement price on the underlying futures. All new striking prices will be added prior to the opening of trading on the following business day.

The Exchange may modify the procedure for the introduction of striking prices as it deems appropriate in order to respond to market conditions.