Timothy R. Elliott
Executive Director and Associate General Counsel
Legal Department

August 5, 2013

VIA E-Mail

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

RE: Changes to position limits for expiring U.S. Treasury Bond Futures and Long-Term U.S. Treasury Bond Futures. First effective date is Friday, December 20, 2013.

CBOT Submission No. 13-306

Dear Ms. Jurgens:

Pursuant to Commodity Futures Trading Commission ("Commission") Regulation 40.6 and Section 5c(c)(1) of the Commodity Exchange Act ("Act"), the Chicago Board of Trade, Inc. ("CBOT" or "Exchange") hereby certifies amendments to Exchange Rules 18102.E., 19102.E., 20102.E., and 21102.E. concerning position limits and position accountability for CBOT U.S. Treasury Bond Futures, Long-Term Treasury Note (10-Year) Futures, Medium-Term Treasury Note (5-Year) Futures, and Short-Term Treasury Note (2-Year) Futures, respectively.

The CBOT seeks to amend these position limits as follows:

- 2-Year Reduce from 50,000 to 40,000 contracts
- 5-Year: Reduce from 115,000 to 85,000
- 10-Year: Reduce from 95,000 to 70,000
- Classic Bonds: Reduce from 30,000 to 20,000 contracts.

The CBOT will implement these revised position limits starting with the March 2014 expiries. The rule changes will be made in the CBOT Rulebook effective the day after trading in the December 2013 contracts ceases, which will be Friday, December 20, 2013 for 10-Year Treasury Note and Bond futures, and Thursday, January 2, 2014 for 2-Year and 5-Year Treasury Note futures. Insofar as the proposed rule amendments result in decreased position limits, the Exchange concludes that timely market notification combined with delayed implementation of these lower position limits is warranted. Market notification in August 2013 with application to March 2014 futures delivery months allows the marketplace a full expiration cycle (three months' time) to consider the changes prior to implementation. This amount of advance warning should minimize any potential disruptions to trading in futures delivery months with existing open interest.

The position limits for expiring CBOT 3-Year and Long-Term Treasury Bond (Ultra) futures will remain at current levels – *i.e.,* 20,000 and 65,000 contracts, respectively – reflecting the Exchange's determination that these limits are appropriate to the characteristics and supply of contract-grade Treasury notes that are eligible for delivery into these futures contracts.

For any given Treasury futures contract, the Exchange establishes and periodically reevaluates the corresponding position limit in light of both market conditions and the structure of the basket of deliverable-grade securities for such contract. Among the factors taken into consideration are (a) the size distribution and supply of such deliverable-grade issues, (b) the proximity of market yields on deliverable-grade issues to the 6% notional yield that the Exchange uses to set conversion factors for standardization

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of contract delivery invoice prices, and (c) the distribution of durations among Treasury issues eligible for delivery into the contract.

The CBOT first implemented position limits in expiring Treasury futures in June 2005 in an effort to mitigate congested deliveries that might arise as a result of structural imbalances between the futures and cash markets. The position limits were last reevaluated and revised in July 2012. As in those earlier instances, the aim of the present reexamination and revision is to ensure that the position limits comport with both market conditions and scale of deliverable supply.

In performing this reevaluation, the Exchange has taken into account potential implications for deliverable supply arising from the dynamics of Federal Reserve System holdings, conditions in the Treasury STRIPS market, and foreign investment in Treasury securities. None of these factors appears to undermine, or otherwise to work to the detriment of, the effectiveness of the position limits. Though the Federal Reserve System has been an aggressive buyer of Treasury securities through its open market operations since the financial crisis of late 2008, it also functions as a temporary source of Treasury issues for market participants, by way of securities lending through the System Open Market Account (SOMA). As for issues held in stripped form, these represent a small fraction of the outstanding stock of Treasury coupon-bearing securities – less than one percent as of June 2013. Finally, although both Treasury issuance and foreign holdings of Treasury marketable debt have grown dramatically since early 2009, the share held by foreign investors has held steady at around 50 percent.

Attachment 1 summarizes proposed amendments to CBOT Rules 18102.E., 19102.E., 20102.E., and 21102.E. on position limits and position accountability for, respectively, CBOT U.S. Treasury Bond Futures, Long-Term Treasury Note (10-Year) Futures, Medium-Term Treasury Note (5-Year) Futures, and Short-Term Treasury Note (2-Year) Futures. Attachment 2 displays clean versions of the revised Rule amendments.

Likewise, Attachments 3 and 4 present, respectively, the proposed amendments to the Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook, and the clean version of the Table, as so revised.

The Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Act. During the review, we have identified that changes to the position limits and position accountability for CBOT U.S. Treasury Bond Futures, Long-Term Treasury Note (10-Year) Futures, Medium-Term Treasury Note (5-Year) Futures, and Short-Term Treasury Note (2-Year) Futures may have some bearing on the following Core Principle.

- Contracts Not Readily Subject To Manipulation: The proposed rule change is designed to set position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury securities. As such, the proposed rule will eliminate the potential for congested deliveries of cash securities during delivery periods and thus obviate the chance of manipulation by market participants.

- Prevention of Market Disruption: The proposed rule change, which fixes position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury securities, will provide the exchange's market surveillance, compliance, and enforcement functions with an important metric for preventing market disruptions, price distortions, and delivery disruptions during delivery periods.

- Position Limitations or Accountability: The proposed rule change, which sets position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury securities, will reduce the potential threat of market manipulation or delivery congestion during trading in the delivery month.

- Protection of Market Participants: The proposed rule change, which fixes position limits in expiring Treasury futures at levels that are consistent with existing and expected deliverable supplies of cash Treasury securities, will protect market participants from abusive trading practices by any party that seeks to benefit from unfair and inequitable trading practices.

The CBOT certifies that these changes comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The CBOT certifies that this submission has been concurrently posted on the Exchange's website at: www.cmegroup.com/market-regulation/rule-filings.html

Please direct inquiries regarding this submission to James Boudreault at 312-930-3247 or via e-mail at James.Boudreault@cmegroup.com. Alternatively, you may contact me at 312-466-7478 or Tim.Elliott@cmegroup.com. Please reference CBOT Submission No. 13-306 in any related correspondence.

Sincerely,

/s/ Timothy Elliott
Executive Director and Associate General Counsel

Attachments

Attachment 1

Mark-Up of Proposed Changes to Position Limits and Position Accountability Thresholds for CBOT Treasury Futures[1]

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

U Short-Term U.S. Treasury Note Futures (2-Year)

21102.E. Position Limits and Position Accountability

In accordance with Rule 559., no person shall own or control positions in excess of 40,000 ~~50,000~~ contracts in an expiring contract during the contract's last 10 trading days (Rule 21102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560, will apply to trading of Short-Term U.S. Treasury Note futures.

Medium-Term U.S. Treasury Note Futures (5-Year)

20102.E. Position Limits and Position Accountability

In accordance with Rule 559, no person shall own or control positions in excess of 85,000 ~~115,000~~ contracts in an expiring contract during the contract's last 10 trading days (Rule 20102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560, will apply to trading of Medium-Term U.S. Treasury Note futures.

Long-Term U.S. Treasury Note Futures (6½ to 10-Year)

19102.E. Position Limits and Position Accountability

In accordance with Rule 559, no person shall own or control positions in excess of 70,000 ~~95,000~~ contracts in an expiring contract during the contract's last 10 trading days (Rule 19102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560, will apply to trading of Long-Term U.S. Treasury Bond futures.

U.S. Treasury Bond Futures

18102.E. Position Limits and Position Accountability

In accordance with Rule 559, no person shall own or control positions in excess of 20,000 ~~30,000~~ contracts in an expiring contract during the contract's last 10 trading days (Rule 18102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560, will apply to trading of U.S. Treasury Bond futures.

[1] The rule changes will be made in the CBOT Rulebook effective the day after trading in the December 2013 contracts ceases, which will be Friday, December 20, 2013 for 10-Year Treasury Note and Bond futures, and Thursday, January 2, 2014 for 2-Year and 5-Year Treasury Note futures.

Attachment 2

Clean Version of Proposed Changes to Position Limits and Position Accountability Thresholds for CBOT Treasury Futures[2]

Short-Term U.S. Treasury Note Futures (2-Year)

21102.E. Position Limits and Position Accountability

In accordance with Rule 559, no person shall own or control positions in excess of 40,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 21102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Short-Term U.S. Treasury Note futures.

Medium-Term U.S. Treasury Note Futures (5-Year)

20102.E. Position Limits and Position Accountability

In accordance with Rule 559, no person shall own or control positions in excess of 85,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 20102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560, will apply to trading of Medium-Term U.S. Treasury Note futures.

Long-Term U.S. Treasury Note Futures (6½ to 10-Year)

19102.E. Position Limits and Position Accountability

In accordance with Rule 559, no person shall own or control positions in excess of 70,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 19102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., will apply to trading of Long-Term U.S. Treasury Bond futures.

U.S. Treasury Bond Futures

18102.E. Position Limits and Position Accountability

In accordance with Rule 559, no person shall own or control positions in excess of 20,000 contracts in an expiring contract during the contract's last 10 trading days (Rule 18102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560, will apply to trading of U.S. Treasury Bond futures.

[2] The rule changes will be made in the CBOT Rulebook effective the day after trading in the December 2013 contracts ceases, which will be Friday, December 20, 2013 for 10-Year Treasury Note and Bond futures, and Thursday, January 2, 2014 for 2-Year and 5-Year Treasury Note futures.

Attachment 3

Mark-Up of Proposed Amendments to CBOT Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level Table

(Additions are underlined; deletions are ~~struck through~~.)

Contract Name	Initial Spot-Month Limit (In Net Futures Equivalents) Leg (1)/ Leg (2)	Initial Spot-Month Limit Effective Date
U.S TREASURY BOND	30,000	For delivery months up to and including December 2013. Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
U.S TREASURY BOND	20,000	Effective for March 2014 delivery months and thereafter. Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
Long-Term U.S. Treasury Note (6½ to 10-Year)	95,000	For delivery months up to and including December 2013. Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
Long-Term U.S. Treasury Note (6½ to 10-Year)	70,000	Effective for March 2014 delivery months and thereafter. Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
Medium-Term U.S. Treasury Note (5-Year)	115,000	For delivery months up to and including December 2013. Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
Medium-Term U.S. Treasury Note (5-Year)	85,000	Effective for March 2014 delivery months and thereafter. Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
Short-Term U.S. Treasury Note (2-Year)	50,000	For delivery months up to and including December 2013. Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
Short-Term U.S. Treasury Note (2-Year)	40,000	Effective for March 2014 delivery months and thereafter. Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.

Attachment 4

Clean Version of Proposed Amendments to CBOT Rulebook Chapter 5 Position Limit, Position Accountability, and Reportable Level[3] Table

Contract Name	Initial Spot-Month Limit (In Net Futures Equivalents) Leg (1)/ Leg (2)	Initial Spot-Month Limit Effective Date
U.S TREASURY BOND	20,000	Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
Long-Term U.S. Treasury Note (6½ to 10-Year)	70,000	Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
Medium-Term U.S. Treasury Note (5-Year)	85,000	Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.
Short-Term U.S. Treasury Note (2-Year)	40,000	Net long or short effective at the close of trading ten (10) business days prior to the last day of trading in the expiring month.

[3] This version of the CBOT Rulebook Chapter 5 Table will be posted on Thursday, January 2, 2014.