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Christopher Bowen  
Managing Director and Chief Regulatory Counsel  
Legal Department

November 30, 2011

**VIA E-MAIL**

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: Modifications to the CBOT Market Maker Program for Electronic Treasury Options. CBOT Submission No. 11-460**

Dear Mr. Stawick:

Board of Trade of the City of Chicago, Inc. ("CBOT" or the "Exchange") hereby notifies the Commodity Futures Trading Commission ("Commission") of modifications to an existing Market Making Program for certain CBOT Electronic Treasury Options contracts that are traded on Globex® ("Program"). The proposed modifications to the Program will become effective on January 1, 2012.

Exhibit 1 sets forth the terms of this Program. The modifications appear below, with additions underscored and deletions overstruck.

CBOT business staff responsible for the Program and the CBOT legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodities Exchange Act ("CEA"). During the review, CBOT staff identified the following Core Principles as potentially being impacted; Prevention of Market Disruption, Execution of Transactions, Protection of Market Participants, Compliance with Rules and Recordkeeping.

The Program and proposed modifications will not impact the Exchange's ability to perform its trade practice and market surveillance obligations under the CEA and the Exchange's market regulation staff will continue to monitor all market participants that trade the Program's products to prevent manipulative trading and market abuse. Additionally, the Exchange has implemented systems to track Program participants' obligations to ensure proper distribution of earned incentives. The incentives in the Program do not impact the Exchange's order execution. Participants in the Program will be selected by Exchange staff using criteria as further stated in Exhibit 1. Chapter 4 of the CBOT rules includes prohibitions against fraudulent, non-competitive, unfair or abusive practices. All participants must execute a contractual agreement with the Exchange in which each participant will expressly agree to comply with and be subject to, applicable regulations and CBOT rules. The Program is subject to the Exchange's record retention policies which comply with the CEA.

CBOT certifies that the Program and the modifications to the Program comply with the Commodity Exchange Act and the regulations thereunder. There were no substantive opposing views to this Program or the proposed modifications.

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

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If you require any additional information regarding this submission, please contact Robert Lev at 312-930-3019 or via e-mail at [robert.lev@cmegroup.com](mailto:robert.lev@cmegroup.com), or contact me at 212-299-2200. Please reference our CBOT Submission No. 11-460 in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director, Chief Regulatory Counsel

Attachments

# EXHIBIT 1

## Market Maker Program for CBOT Electronic Treasury Options

### **Program Purpose.**

The purpose of this Program is to enhance liquidity in Treasury Options products during RTH and ETH in order to increase the percentage of Treasury Options executed electronically. A more liquid contract benefits all participants in the market.

### **Product Scope**

Options on CBOT Treasury futures, including 2, 5, and 10 year U.S. Treasury Notes, 30 Year U.S. Treasury Bonds, and Long Term U.S. Treasury Bonds ("Products").

### **Eligible Participants**

The Program participants can be CBOT member or non-member firms. All firms that have a relationship with a clearing member firm and can meet CBOT established quoting requirements, including the ability to stream quotes in outright options and option strategies, may qualify for the Program. There is no limit to the number of Program participants, but the ranking criteria will still apply.

### **Program Term**

Start date is March 2008. End date is ~~December 31, 2014~~ December 31, 2012.

### **Hours**

Extended and Regular Trading Hours (ETH and RTH).

### **Obligations**

#### **Quoting Requirements:**

Respond to at least 70% of all Requests-for-Quotes ("RFQs") regardless of underlying reference, Treasury futures delivery month, option expiry month, or option strike price.

#### **Program Incentives:**

1. **Mass Quote Message.** CBOT shall permit the market maker to submit quotes for the Product using the Mass Quote message under an assigned identification granted by CBOT staff.
2. **Quotes Per Seconds.** Additionally, CBOT shall allocate to market makers the ability to submit up to a designated amount of Quotes-Per-Second for the Products.
3. **Order Flow Allocation.** The five (5) most highly ranked Program participants in each Treasury option product and each time period (RTH/ETH) shall receive order flow allocations in the applicable Treasury option product, per the schedule of "Evaluation and Incentive Allocation Periods." The total order flow allocations shall not exceed 30% of total order flow in the applicable Treasury option product.

The Exchange shall evaluate and rank Program participants quarterly, with assignments of attendant rank-related Program incentives to take effect per the following schedule:

Evaluation and Incentive Allocation Periods

<u>Evaluation Period</u>	<u>Incentive Allocation Period</u>
<u>16 September – 15 December 2010</u> <u>2011</u>	<u>1 January – 31 March 2011 2012</u>
<u>16 December 2010 – 15 March</u> <u>2011 2012</u>	<u>1 April – 30 June 2011 2012</u>
<u>16 March – 15 June 2011 2012</u>	<u>1 July – 30 September 2011</u> <u>2012</u>
<u>16 June – 15 September 2011</u> <u>2012</u>	<u>1 October – 31 December</u> <u>2011 2012</u>

Program participants shall be ranked on the basis of the speed of their responses, the width of their bid-offered price spreads, the sizes of their bids and offers, and time persistence of their quoting in options with the nearest two serial expiration months and options with the nearest two quarterly expiration months.

**Monitoring and Termination of Status**

The Exchange shall monitor trading activity and participants' performance and shall retain the right to revoke Program participant status if it concludes from review that a Program participant no longer meets the eligibility requirements or fails to meet the obligations of the Program.