

## Special Executive Report

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S-5096

January 5, 2010

### **CME Group Announces the Launch Long-Term “Ultra” U.S. Treasury Bond Futures on January 11, 2010**

CME Group announces that CBOT (or the “Exchange”) list Ultra U.S. Treasury Bond futures for trading beginning on trade date **Monday, January 11, 2010**. The Exchange will list Ultra T-Bond futures for trading on both the trading floor in Chicago (UL) and on CME Globex® (UB). The Exchange will initially list the March 2010 through September 2010 quarterly expiries for trading.

The Exchange’s new Ultra T-Bond futures will have a contract design similar to the existing Treasury Bond and Note futures contracts. Like its Treasury futures counterparts, Ultra T-Bond futures will call for the physical delivery of cash Treasury securities, specifically, cash Treasury bonds that have a remaining term-to-maturity of at least 25 years from the first delivery day of the futures contract expiration month. This design will differentiate Ultra T-Bond futures as a distinct pricing benchmark for the 25- to 30-year sector of the Treasury yield curve.

Ultra T-Bond futures will have a \$100,000 notional contract size, a minimum tick size of one thirty-second of one price point (\$31.25), and contract expirations in the March, June, September, and December quarterly cycle. In addition, the Exchange has made Ultra T-Bond futures eligible for block and all-or-none (AON) transactions. Ultra T-Bond futures will also be eligible for matching as part of the implied, inter-commodity spreads (ICS), in which order books in related Treasury and Swap futures will be linked with that of Ultra T-Bond futures, creating increased trade matching opportunities as well as a simple and efficient tool for trading yield curve relationships.

Ultra T-Bond futures will have the same fee structure currently in place for existing CBOT Treasury futures. Through June 30, 2010, fees for Ultra T-Bond futures are waived for all Type 1 (Individual), Type 2 (Equity), Type 3 (Trading) and Type 4 (Electronic Corporate) members, as well as International Incentive Program (IIP) participants. This fee waiver includes exchange fees, clearing fees, ex-pit surcharges, and exchange fees for non trades (e.g., deliveries, assignments, expirations, and cash settlement/deliveries). Open outcry trading of this contract will take place in the Treasury futures trading pit. These contracts will be listed by CBOT and subject to the rules and regulations of CBOT and CME.

Please refer questions regarding Ultra T-Bond futures to:

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**Attachment 1**

**Salient Features  
 Long-Term “Ultra” U.S. Treasury Bond Futures Contract**

<b>Underlying Instrument</b>	U.S. Treasury bonds having a face value of \$100,000 or multiples thereof.
<b>Deliverable Grades</b>	U.S. Treasury bonds having a remaining term to maturity of not less than 25 years from the first day of the futures contract delivery month.  The invoice price equals the futures settlement price times a conversion factor, plus accrued interest. The conversion factor is the price of the delivered bond (\$1 par value) to yield 6 percent.
<b>Tick Size</b>	One thirty-second of one point (\$31.25 per contract), except for intermonth spreads for which the minimum price increment would be one quarter of one thirty-second of one point (\$7.8125 per contract).
<b>Price Basis</b>	Points (\$1,000 per contract) and 32nds of one point (\$31.25 per contract). For example, 91-16 equals 91-16/32, 91-17 equals 91-17/32, and 91-18 equals 91-18/32.
<b>Contract Months</b>	Initially, three consecutive expiries in the March, June, September, and December quarterly cycle.
<b>Last Trading Day</b>	The seventh business day preceding the last business day of the delivery month. Trading in an expiring contract ceases at 12:01, Chicago time, on the last trading day.
<b>Last Delivery Day</b>	Last business day of the delivery month.
<b>Delivery Method</b>	Federal Reserve book-entry wire-transfer system.
<b>Trading Hours</b>	Globex: 17:30 – 16:00, Chicago time, Sunday – Friday. Open Outcry: 07:20 – 14:00, Chicago time, Monday – Friday.
<b>Ticker Symbols</b>	Globex: UB Open Outcry: UL Clearing: UBE
<b>Daily Price Limit</b>	None
<b>Position Accountability / Limits</b>	Position accountability of 10,000 futures contracts will be implemented prior to a contract’s last ten trading days. Position limits of 20,000 futures contracts will be implemented during an expiring contract’s last ten trading days.
<b>Reportable Position Limits</b>	1,500 futures contracts
<b>Block Minimum</b>	Regular Trading Hours (07:00 – 16:00, Chicago time): 3,000 contracts. European Trading Hours (00:00 – 07:00, Chicago time): 1,500 contracts. Asian Trading Hours (16:00 – 00:00, Chicago time): 750 contracts.  Intra-commodity calendar spreads are prohibited. Inter-commodity spreads are permitted provided that the quantity of each leg of the spread meets the larger of the threshold requirements for the underlying futures during RTH, ETH, or ATH.
<b>All-or-None Minimum</b>	2,000 contracts on an outright basis. 2,000 contracts per leg for inter- and intra-market spreads.
<b>Trade Matching Algorithm</b>	FIFO for outright orders. Pro-Rata with TOP orders for calendar spreads.

## Attachment 2

### Trading Rules Long-Term "Ultra" U.S. Treasury Bond Futures Contract

#### 40100. SCOPE OF CHAPTER

This chapter is limited in application to trading of Long-Term U.S. Treasury Bond futures. The procedures for trading, clearing, delivery, and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

All times referenced in this chapter are Chicago times and are subject to change by the Exchange.

#### 40101. CONTRACT SPECIFICATIONS

##### 40101.A. Contract Grade

The contract grade for delivery on futures made under these Rules shall be U.S. Treasury fixed principal bonds which have fixed semi-annual coupon payments, and which have a remaining term to maturity of at least 25 years.

For the purpose of determining a U.S. Treasury security's eligibility for contract grade, its remaining term to maturity shall be calculated from the first day of the contract's named month of expiration, and shall be rounded down to the nearest three-month increment (e.g., 12 years 5 months 18 days shall be taken to be 12 years 3 months).

New issues of U.S. Treasury securities that satisfy the standards in this Rule shall be added to the contract grade as they are issued. Notwithstanding the foregoing, the Exchange shall have the right to exclude any new issue from the contract grade or to further limit outstanding issues from the contract grade.

##### 40101.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury bond issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said securities (Rule 40105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$1000 \times P \times c) + \text{Accrued Interest}$$

where

$P$  is the contract daily settlement price on the day that the short Clearing Member gives the Clearing House notice of intention to deliver (Rule 40104.A.).  $P$  shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 40102.C.); and

$c$  is a conversion factor equal to the price at which a security with the same time to maturity as said security (as per Rule 40101.A.), and with the same coupon

## Attachment 2 (Continued)

### Trading Rules Long-Term "Ultra" U.S. Treasury Bond Futures Contract

rate as said security, and with par on the basis of one (1) point, will yield 6% per annum according to conversion factor tables prepared and published by the Exchange.

For each individual contract lot that is delivered, the product expression ( $\$1000 \times P \times c$ ) shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that  $P$  is 100 and  $25/32$ nds. Assume that  $c$  is 0.9633. The product expression ( $\$1000 \times P \times c$ ) is found to be \$97,082.578125. The rounded amount that enters into determination of the *Invoice Amount* is \$97,082.58.

In the determination of the *Invoice Amount* for each individual contract lot being delivered, *Accrued Interest* shall be charged to the long Clearing Member taking delivery by the short Clearing Member making delivery, in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart E--Interest. See also Rule 40102.B.

#### 40102. TRADING SPECIFICATIONS

The number of contract expiration months open for trading at a given time shall be determined by the Exchange. Without limiting the foregoing, the Exchange customarily shall list for trading five consecutive expiries in the March-June-September-December quarterly cycle.

##### 40102.A. Trading Schedule

The hours for trading shall be determined by the Exchange. On the last day of trading in an expiring contract (Rule 40102.F.), the close of the expiring contract shall begin at 12:00 noon and trading shall be permitted thereafter for a period not to exceed one minute.

##### 40102.B. Trading Unit

The unit of trading shall be U.S. Treasury bonds having a face value at maturity of one hundred thousand dollars (\$100,000) or multiples thereof.

##### 40102.C. Price Increments

Par shall be on the basis of 100 points, with each point equal to \$1,000 per contract. The minimum price fluctuation shall be one thirty-second of one point (equal to \$31.25 per contract), except for intermonth spreads for which the minimum price fluctuation shall be one quarter of one thirty-second of one point (equal to \$7.8125 per contract). Contracts shall not be made on any other price basis.

**Attachment 2 (Continued)**

**Trading Rules  
Long-Term "Ultra" U.S. Treasury Bond Futures Contract**

**40102.D. Reserved**

**40102.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 40102.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.

**40102.F. Termination of Trading**

No trades in an expiring contract shall be made during the last 7 business days of the contract's named month of expiration. Any contract remaining open after the last day of trading must be either:

- (a) settled by physical delivery no later than the last business day of the contract's named month of expiration (Rule 40103.); or
- (b) liquidated by means of a bona fide Exchange of Futures for Related Position (Rule 538.) no later than 12:00 noon on the fifth business day preceding the last business day of the contract's named month of expiration.

**40103. DATE OF DELIVERY**

Delivery of contract grade U.S. Treasury securities may be made by a short Clearing member, upon any business day of the contract delivery month that the short Clearing Member may select. The contract delivery month shall commence on, and include, the first business day of the contract's named month of expiration, and shall extend to, and include, the last business day of the contract's named month of expiration.

**40104. DELIVERIES ON EXPIRING FUTURES CONTRACTS**

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 40109.) in accordance with 31 CFR Part 306--General Regulations Governing U.S. Securities, Subpart O--Book-Entry Procedure, and 31 CFR Part 357--Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills held in Legacy Treasury Direct®.

Deliveries against an expiring contract can be made no earlier than the first business day of the contract's named month of expiration, and no later than the last business day of the contract's named month of expiration (Rule 40103).

All deliveries must be assigned by the Clearing House.

**Attachment 2 (Continued)**

**Trading Rules  
Long-Term "Ultra" U.S. Treasury Bond Futures Contract**

**40104.A. DAY OF INTENTION**

No later than 6:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Member must tender to the Clearing House all notices of intention to make delivery such as it has received from its customers who are short.

Where a futures commission merchant, as a Clearing Member, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver.

To each short Clearing Member who has issued a notice of intention to make delivery, the Clearing House shall assign long Clearing Members who shall be obligated to take delivery. Upon making such assignment, the Clearing House shall promptly furnish to each short Clearing member making delivery the names of the long Clearing members assigned to take delivery from such short Clearing Member.

**40104.B. Day of Delivery**

No later than 7:30 a.m. on the day of delivery, the long Clearing Member taking delivery must make funds available, and must notify its bank to accept contract grade U.S. Treasury securities (Rules 40101.A. and 40105.A.) and to remit federal funds to the account of the short Clearing Member making delivery, at the short Clearing Member's bank.

In the event the long Clearing Member taking delivery does not agree with the terms of the invoice received from the short Clearing Member making delivery (Rule 40105.A.), the long Clearing Member must notify the short Clearing Member, and the dispute must be settled no later than 9:30 a.m. on the day of delivery.

No later than 10:00 a.m. on the day of delivery, the short Clearing Member making delivery must have contract grade U.S. Treasury securities (Rules 40101.A. and 40105.) in place at its bank, in delivery form that is acceptable to its bank, and must notify its bank to transfer said U.S. Treasury securities by book entry, on a delivery versus payment basis (Rule 40107.), to the account of the long Clearing Member taking delivery, at the long Clearing Member's bank.

No later than 1:00 p.m. on the day of delivery, contract grade U.S. Treasury securities must be transferred, and payment must be made.

**Attachment 2 (Continued)**

**Trading Rules  
Long-Term "Ultra" U.S. Treasury Bond Futures Contract**

**40105. SELLER'S INVOICE NOTIFICATION TO BUYER**

**40105.A. Invoice Terms**

Each short Clearing Member making delivery shall prepare invoices addressed to each long Clearing Member assigned to take delivery from such short Clearing Member (Rule 40104.A.). Said invoices shall:

- (a) identify the U.S. Treasury securities that the short Clearing Member shall tender to said long Clearing Member; and
- (b) show the amounts which said long Clearing Member must pay to said short Clearing Member in settlement of the actual delivery of said U.S. Treasury securities, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 40101.B.).

**40105.B. Day of Notification**

In the case of deliveries to be made prior to the last permissible day of delivery (Rule 40103.), each short Clearing Member making delivery shall submit said invoices to the Clearing House by 2:00 p.m. on the business day preceding the day of delivery. In the case of deliveries to be made on the last permissible day of delivery, the short Clearing Member shall submit such invoices to the Clearing House by 3:00 p.m. on the business day preceding the day of delivery. Upon receipt of such invoices, the Clearing House shall promptly furnish them to the long Clearing Members to whom they are addressed.

**40106. BUYER'S BANKING NOTIFICATION TO SELLER**

No later than 4:00 p.m. on the business day preceding the day of delivery, the long Clearing Member taking delivery shall provide the short Clearing Member making delivery with a Banking Notification form which shall include:

- (a) date of delivery;
- (b) identification number and name of the long Clearing Member taking delivery;
- (c) notification number of the Clearing House delivery assignment;
- (d) identification number and name of the short Clearing Member making delivery;
- (e) quantity of the contract being delivered; and
- (f) the long Clearing Member's bank, account number, and specific Federal Wire instructions for the transfer of U.S. Treasury securities.

**40107. PAYMENT**

No later than 1:00 p.m. on the day of delivery, the long Clearing Member assigned to take delivery must take delivery and make payment. In the case of banking holidays, said long Clearing Member must take delivery and make payment no later than 9:30 a.m. on the next banking business day.

**Attachment 2 (Continued)**

**Trading Rules  
Long-Term "Ultra" U.S. Treasury Bond Futures Contract**

Payment shall be made in federal funds on a delivery versus payment basis. That is, payment shall not be made until the U.S. Treasury securities to be tendered for delivery (Rule 40105.A.) are delivered. Adjustments for differences between contract prices and delivery prices established by the Clearing House shall be made with the Clearing House in accordance with its rules, policies, and procedures.

**40108. WIRE FAILURE**

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Member's bank or the short Clearing Member's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable.

In the event of such failure, the short Clearing Member making delivery shall remit to the long Clearing Member taking delivery such interest on the U.S. Treasury securities being delivered as accrues between the day on which the securities were originally to be delivered and the day on which the securities are actually delivered. Both the long Clearing Member and the short Clearing Member must provide to the Exchange documented evidence that they gave instructions to their respective banks in accordance with Rules 40104. and 40107. and that they complied with all other provisions of Rules 40104. and 40107.

**40109. BANKS**

For purposes of these Rules "qualified bank" (Rule 401.04.) shall mean a U.S. commercial bank (either Federal or State charter) that is a member of the Federal Reserve System and that has capital (capital, surplus and undivided earnings) in excess of one hundred million dollars (\$100,000,000).

**Attachment 3**

**Selected Vendor Codes\*  
 Long-Term “Ultra” U.S. Treasury Bond Futures Contract**

Vendor Name	System Name	Ultra T- Bond Futures & Calendar Spreads		Intercommodity Spreads					
				2-Year Note vs. Ultra T-Bond	3-Year Note vs. Ultra T-Bond	5-Year Note vs. Ultra T-Bond	10-Year Note vs. Ultra T-Bond	30-Year Bond vs. Ultra T-Bond	Ultra T-Bond vs. 30-Year Swap
		Globex	Open Outcry	Globex	Globex	Globex	Globex	Globex	Globex
CME Code	Globex	UB	UL	TUL	TOU	FOL	NOL	BOB	UOS
Bloomberg	Bloomberg	WNA-Futures WNWN-Spreads	WNA-Futures WNWN-Spreads	TUWN	3YWN	FVWN	TYWN	USWN	WNTIR
CQG Inc.	CQG for Windows	ULA	UL	TUL	TOU	FOL	NOL	BOB	UOS
E-Signal	eSignal	ZUB	ZUL	TUL	TOU	FOL	NOL	BOB	UOS
Thomson/Reuters	ILX Workstation	UBB	ULB	TUL	TOU	FOL	NOL	BOB	UOS
Reuters	IDN (ETH)	0#AUB:	0#AUL:	0#TOL:	0#TOU:	0#FOL:	0#NOL:	0#BOB:	0#UOS:
TradeStation		UB	UL.P	TUL	TOU	FOL	NOL	BOB	UOS

\*Available as of November 23, 2009.