

Special Executive Report

S-4833

March 20, 2009

CME Group to Launch 3-Year U.S. Treasury Note Futures on March 23, 2009

CME Group (or “Exchange”) will list 3-Year U.S. Treasury Note futures for trading beginning on trade date **Monday, March 23, 2009**. The addition of 3-Year Treasury Note futures to the Exchange’s existing Treasury Bond and Note futures complex comes in response to strong customer demand following the recent monthly reissuance of 3-year Treasury notes by the U.S. Treasury Department beginning November, 2008. The Exchange will initially list the June 2009 through June 2010 expiries for trading.

The Exchange’s new 3-Year Note futures will have a contract design similar to the existing Treasury Bond and Note futures contracts. Like its Treasury futures counterparts, 3-Year Note futures will call for the physical delivery of cash securities, specifically, new 3-year Treasury notes and old 5-year Treasury notes that have a remaining time-to-maturity between 2 years 9 months and 3 years. This design will differentiate 3-Year Treasury Note futures as a distinct pricing benchmark for the 3-year sector of the yield curve.

3-Year Treasury Note futures will have a \$200,000 notional contract size, a minimum tick size of one-quarter of one thirty-second (\$15.625), and contract expirations in the March, June, September, and December quarterly cycle. The Exchange will list the new contract for trading on both the CME Group trading floor in Chicago (3YR) and on CME Globex® (Z3N). In addition, the Exchange has made 3-Year Treasury Note futures eligible for block and all-or-none (AON) transactions. This product will also be eligible for matching as part of implied inter-commodity spreads (ICS), in which order books in related Treasury futures will be linked with that of the 3-Year Treasury Note futures, creating increased trade matching opportunities as well as a simple and efficient tool for trading yield curve relationships.

The 3-Year Treasury Note futures contract is a CBOT product and as such, will have the same fee structure currently in place for existing Treasury futures. Open outcry trading of this contract will take place in the Treasury futures trading pit.

Please refer questions regarding 3-Year Treasury Note futures to:

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Attachment 1

Salient Features 3-Year U.S. Treasury Note Futures Contract

Underlying Instrument	One (1) U.S. Treasury note having a face value at maturity of \$200,000 or multiples thereof.
Deliverable Grades	U.S. Treasury notes that have an original maturity of not more than 5 years and 3 months and a remaining maturity of not less than 2 years and 9 months from the first day of the delivery month but not more than 3 years from the last day of the 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 note (\$1 par value) to yield 6 percent.
Tick Size	One-quarter of one thirty-second of one point (\$15.625).
Price Basis	Points (\$2,000) and quarter-32nds of a point (\$15.625). For example, 91-16 equals 91-16/32, 91-162 equals 91-16.25/32, 91-165 equals 91-16.5/32, and 91-167 equals 91-16.75/32.
Contract Months	Five consecutive expiries in the March, June, September, and December quarterly cycle.
Last Trading Day	The last business day of the contract expiry month. Trading in expiring contracts closes at 12:01:00, Chicago time, on the last trading day.
Last Delivery Day	Third business day following the last trading day.
Delivery Method	Federal Reserve book-entry wire-transfer system.
Trading Hours	Globex: 17:30: – 16:00; Chicago time, Sunday – Friday. Open Auction: 07:20: – 14:00; Chicago time, Monday – Friday.
Ticker Symbols	Globex: Z3N Open Outcry: 3YR Clearing: 3YR
Daily Price Limit	None
Position Accountability / Limits	Position accountability of 7,500 futures contracts will be implemented prior to the last ten trading days of a contract expiry. Position limits of 20,000 futures contracts will be implemented during the last ten trading days of a contract expiry.
Reportable Position Limits	750 futures contracts
Block Minimum	Regular Trading Hours: 5,000 contracts. Extended Trading Hours: 2,500 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.
All-or-None Minimum	2,000 contracts on an outright basis and per leg for inter- and intra-market spreads.

* Effective March 30, 2009, Extended Trading Hours minimums will be 1,250 contracts during Asian Trading Hours (16:00 – 00:00 CT) and 2,500 contracts during European Trading Hours (00:00-07:00 CT).

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Trading Rules 3-Year U.S. Treasury Note Futures

39100. SCOPE OF CHAPTER

This chapter is limited in application to trading of 3-Year U.S. Treasury Note 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.

39101. CONTRACT SPECIFICATIONS

39101.A. Contract Grade

The contract grade for delivery on futures made under these Rules shall be U.S. Treasury fixed-principal notes which have fixed semi-annual coupon payments, and which have:

- (a) an original term to maturity (i.e., term to maturity at issue) of not more than 5 years 3 months; and
- (b) a remaining term to maturity of not more than 3 years; and
- (c) a remaining term to maturity of not less than 2 years 9 months.

For the purpose of determining a U.S. Treasury note'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 one-month increment (e.g., 2 years 10 months 17 days shall be taken to be 2 years 10 months). New issues of U.S. Treasury notes that satisfy the standards in this Rule shall be added to the contract grade as they are issued.

If the U.S. Treasury Department auctions and issues a Treasury security that meets these standards, such that said security is a re-opening of an extant Treasury issue that had not previously met these standards, then the extant Treasury issue shall be deemed to be a Treasury note meeting these standards and shall be added to the contract grade as of the issue date of said newly auctioned Treasury security.

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.

39101.B. Physical Delivery

Each individual contract lot that is delivered must be composed of one and only one contract grade Treasury note issue. The amount at which the short Clearing Member making delivery shall invoice the long Clearing Member taking delivery of said notes (Rule 39105.A.) shall be determined as:

$$\text{Invoice Amount} = (\$2000 \times P \times c) + \text{Accrued Interest}$$

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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 39104.A.). P shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 39102.C.); and

c is a conversion factor equal to the price at which a note with the same time to maturity as said note, and with the same coupon rate as said note, 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 ($\$2000 \times P \times c$) shall be rounded to the nearest cent, with half-cents rounded up to the nearest cent.

Example: Assume that P is 100 and 25.5/32nds. Assume that c is 0.9633. The product expression ($\$2000 \times P \times c$) is found to be \$194,195.259375. The rounded amount that enters into determination of the *Invoice Amount* is \$194,195.26.

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 39102.B.

39102.

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.

39102.A. Trading Schedule

The hours of trading shall be determined by the Exchange. On the last day of trading in an expiring contract (Rule 39102.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.

39102.B. Trading Unit

The unit of trading shall be U.S. Treasury notes having a face value at maturity of two hundred thousand dollars (\$200,000) or multiples thereof.

39102.C. Price Increments

Par shall be on the basis of 100 points, with each point equal to \$2,000 per contract. The minimum price fluctuation shall be one-quarter of one thirty-second of one point (equal to \$15.625 per contract), including intermonth spreads. Contracts shall not be made on any other price basis.

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39102.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 39102.F.). No hedge exemptions will be permitted with respect to this position limit.

Position accountability, as defined in Rule 560., shall apply to trading of 3-Year U.S. Treasury Note futures.

39102.F. Termination of Trading

The last day of trading in an expiring contract shall be the last business day 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 third business day following the last business day of the contract's named month of expiration (Rule 39103.); 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 business day immediately following the last business day of the contract's named month of expiration.

39103. DATE OF DELIVERY

Delivery of contract grade U.S. Treasury notes 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 be defined so as to commence on, and to include, the first business day of the contract's named month of expiration, and to extend to, and to include, the third business day following the last business day of the contract's named month of expiration.

39104. DELIVERIES ON EXPIRING FUTURES CONTRACTS

Deliveries against expiring contracts shall be by book-entry transfer between accounts of Clearing Members at qualified banks (Rule 39109.) 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 third business day following the last business day of the contract's named month of expiration (Rule 39103.).

All deliveries must be assigned by the Clearing House.

39104.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.

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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.

39104.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 notes (Rules 39101.A. and 39105.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 39105.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 notes (Rules 39101.A. and 39105.) 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 notes by book entry, on a delivery versus payment basis (Rule 39107.), 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 notes must be transferred, and payment must be made.

39105. SELLER'S INVOICE NOTIFICATION TO BUYER

39105.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 39104.A.). Said invoices shall:

- (a) identify the U.S. Treasury notes 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 notes, based on the delivery prices established by the Clearing House, and adjusted for accrued interest (Rule 39101.B.).

39105.B. Day of Notification

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In the case of deliveries to be made prior to the last permissible day of delivery (Rule 39103.), 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.

39106. 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: date of delivery;

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

39107. 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.

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 notes to be tendered for delivery (Rule 39105.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.

39108. 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 notes being delivered as accrues between the day on which the notes were originally to be delivered and the day on which the notes 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 39104. and 39107. and that they complied with all other provisions of Rules 39104. and 39107.

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39109. **BANKS**

For the purposes of these Rules, "qualified bank" (Rule 39104.) shall mean a U.S. commercial bank (either Federal or State chartered) 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

3-Year U.S. Treasury Note Futures Selected Vendor Codes

Vendor Name	System Name	3-Year Treasury Note Futures		ICS 2 vs 3	ICS 3 vs 5	ICS 3 vs 10	ICS 3 vs 30
		Globex	Open Outcry	Globex	Globex	Globex	Globex
CME Code	Globex	Z3N	3YR	TYT	TOF	TUN	TOB
Barchart		ZE	TF	N/A	N/A	N/A	N/A
Bloomberg	Bloomberg	3YA	3YA	N/A	N/A	N/A	N/A
CQG Inc.	CQG for Windows	Z3N	BYR	TYT	TOF	TUN	TOB
Data Transmission Network (DTN)		@3N	3YR	N/A	N/A	N/A	N/A
E-Signal	eSignal	Z3N	3YR	N/A	N/A	N/A	N/A
Thomson/Reuters	ILX Workstation	Z3N	Y3R	TYT	TOF	TUN	TOB
Reuters	IDN (ETH)	0#ZZN:	0#YR:	N/A	N/A	N/A	N/A
Townsend		Z3N	Z3N	TYT	TOF	TUN	TOB
Track Data	MX	Z3N`	XF`	N/A	N/A	N/A	N/A
TradeStation		Z3N	Z3N.P	TYT	TOF	TUN	TOB