

Special Executive Report

S-4968

August 25, 2009

REMINDER:

Minimum Trading Increment Revised to 1/32nd in Outright Transactions in Bond Futures

Effective **August 30, 2009**, CME Group will amend CBOT Rulebook Chapter 18 ("U.S. Treasury Bond Futures") to increase the minimum trading increment for outright transactions to 1/32nd of one point (equal to \$31.25 per contract) from 1/2 of 1/32nd of one point (equal to \$15.625 per contract). The new minimum trading increment will take effect for all contract months.

The minimum trading increment for intermonth spreads will remain unchanged at 1/4 of 1/32nd of one point (equal to \$7.8125 per contract). The minimum trading increment for options on U.S. Treasury Bond futures also will remain unchanged.

This rule amendment is intended to improve liquidity in CBOT U.S. Treasury Bond futures.

CBOT Rulebook Chapter 18, as amended, appears on page 2 of this notice, with additions underscored and deletions overstruck. To repeat, these amendments will take effect on August 30, 2009 for all contract months.

This information was initially communicated via a CME Group press release on July 1, 2009, and subsequently via CME Group advisory notices.

Please refer questions on this subject to:

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**CBOT Rulebook Chapter 18 Amendments,
Effective August 30, 2009 for All Contract Months:**

18101.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 bonds (Rule 18105.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 18104.A.). *P* shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 18102.C.); and

c is a conversion factor equal to the price at which a bond with the same time to maturity as said bond or, if callable, same time to first call (as per Rule 18101.A.), and with the same coupon rate as said bond, 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 ~~25-5/32nds~~ 25/32nds. Assume that *c* is 0.9633. The product expression $(\$1000 \times P \times c)$ is found to be ~~\$97,097.6296875~~ 97,082.578125. The rounded amount that enters into determination of the *Invoice Amount* is ~~\$97,097.63~~ 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 18102.B.

18102.C. Price Increments¹

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-half of~~ one thirty-second of one point (equal to ~~\$15.625~~ \$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.

¹ Revised March 2008; August 2009.