

INTEREST RATE PRODUCTS

# Long-Term U.S. Treasury Bond Futures: The “Ultra T-Bond”

Coming Q1 2010: A new addition to the Treasury futures complex for managing longer-dated Treasury yield exposure

### Why “Ultra” T-Bond Futures? Why Now?

Market participants need a tool that allows them to manage very long-dated Treasury exposure. With the U.S. Treasury Department fiscal policy shift toward greater issuance of long-term bonds, CME Group has developed Long-Term U.S. Treasury Bond (“Ultra T-Bond”) futures in response to that need. The Ultra T-Bond futures contract will be a natural complement to the U.S. Treasury futures complex, providing market participants with a more direct way to manage long-term interest rate risk and add duration to their portfolios.

### Contract Design:

The key design feature that distinguishes Ultra T-Bond futures from the existing 30-Year T-Bond futures contract is its relatively narrow range of deliverable securities: the deliverable grade for Ultra T-Bond futures comprises Treasury bonds with at least 25 years of remaining term to maturity. By comparison, the deliverable basket for the existing T-Bond futures contract includes bonds with remaining terms to maturity of 15 years or more.

In all other aspects, the specifications for the Ultra T-Bond futures contract resemble those for the existing T-Bond futures contract. They are identical in terms of their \$100,000 notional value, 1/32nd (\$31.25) minimum tick size, contract critical dates (i.e., eligible delivery dates, last trading day), and the 6 percent yield that determines their conversion factors for delivery invoicing.

### Applications:

Ultra T-Bond futures expand the range of risk management and trading opportunities for market professionals by providing significant cross-hedging and spreading opportunities. These include:

- Basis trading
- Portfolio duration management
- Improved means of gaining or shedding exposure to very long-term yields
- Implied intermarket Treasury yield curve spreads
- Implied intermarket swap spreads
- Replication of cash Treasury bonds and Treasury STRIPS exposures
- Alternative to OTC 30-year interest rate swaps

### Users:

Long Term U.S. Treasury Bond futures will be a valuable new tool for financial institutions that manage general interest rate exposure linked to on-the-run 30-year Treasury bonds:

Primary Dealers	Insurance Companies
Government Sponsored Entities	Pension Funds
Central Banks	Endowments
Sovereign Wealth Funds	Commodity Trading Advisors
Mutual Funds	Leveraged Funds
Asset Managers	Proprietary Traders

## LONG-TERM U.S. TREASURY BOND FUTURES: CONTRACT FEATURES\*

<b>Underlying Instrument</b>	U.S. Treasury bonds having face value of \$100,000 or multiples thereof
<b>Deliverable Grade</b>	U.S. Treasury bonds having 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 note (\$1 par value) to yield 6 percent.
<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>Minimum Price Increment</b>	One 32nd of one point (\$31.25 per contract), except for intermonth spreads for which the minimum price increment is one quarter of one thirty-second of one point (\$.8125 per contract)
<b>Contract Months</b>	Three consecutive expiries in the March, June, September and December quarterly cycle
<b>Last Trading Day</b>	The seventh business day before the last business day of the delivery month. Trading in an expiring contract ceases at 12:01 p.m. 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>	<b>Open Outcry:</b> 7:20 a.m. – 2:00 p.m. Central Time (CT) Monday – Friday <b>CME Globex:</b> 5:30 p.m. – 4:00 p.m. CT, Sunday – Friday
<b>Ticker Symbols</b>	<b>Open Outcry:</b> To be determined <b>CME Globex:</b> To be determined
<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 (RTH) (7:00 a.m. – 4:00 p.m. CT): 3,000 contracts European Trading Hours (ETH) (12:00 a.m. – 7:00 a.m. CT): 1,500 contracts Asian Trading Hours (ATH) (4:00 p.m. – 12:00 a.m. CT): 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. ICS functionality will be available with implied price functionality.

\* Contract features subject to change. Consult the CBOT Rulebook for current specifications.

Long Term U.S. Treasury Bond futures will begin trading in the first quarter of 2010.  
Visit [www.cmegroup.com/interestrates](http://www.cmegroup.com/interestrates) for updates on launch timing.

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