



## Special Executive Report

S- 7345

April 27, 2015

### Amendments to CBOT Rule 589 Regarding Special Price Fluctuation Limits for Certain CBOT Interest Rate Futures and Options Contracts

Effective Sunday, May 10, 2015 for trade date Monday, May 11, 2015, and pending all relevant CFTC regulatory review periods, the Board of Trade of the City of Chicago, Inc. (CBOT or Exchange) will amend CBOT Rule 589 (Special Price Fluctuation Limits) to modify the monitoring period following a triggering event from five minutes to two minutes for certain interest rate futures and options contracts. Price fluctuation limits deter sharp price movements that may, for example, be driven by illiquid central limit order books prevailing from time to time in otherwise liquid markets.

Amendments to CBOT Rule 589 are provided in blackline format in Appendix A. The affected Interest Rate contracts which are subject to CBOT Rule 589 are as follows:

Product Title	CBOT Rulebook Chapter	Code	Primary or Associated
U.S. Treasury Bond Futures	18	17	Primary
Standard Options on U.S. Treasury Bond Futures	18A	17	17
Flexible Options on U.S. Treasury Bond Futures	18B	52,53	17
Long-Term U.S. Treasury Note Futures (6½ to 10-Year)	19	21	Primary
Standard Options on Long-Term U.S. Treasury Note Futures	19A	21	21
Flexible Options on Long-Term U.S. Treasury Note Futures	19B	54,55	21
Medium-Term U.S. Treasury Note Futures (5-Year)	20	25	Primary
Standard Options on Medium-Term U.S. Treasury Note Futures	20A	25	25
Flexible Options on Medium-Term U.S. Treasury Note Futures	20B	57,60	25
Short-Term U.S. Treasury Note Futures (2-Year)	21	26	Primary
Standard Options on Short-Term U.S. Treasury Note Futures	21A	26	26
Flexible Options on Short-Term U.S. Treasury Note Futures	21B	58,59	26
3-Year U.S. Treasury Note Futures	39	3YR	Primary
Long-Term U.S. Treasury Bond Futures	40	UBE	Primary

<b>Product Title</b>	<b>CBOT Rulebook Chapter</b>	<b>Code</b>	<b>Primary or Associated</b>
Standard Options on Long-Term U.S. Treasury Bond Futures	40A	UBE	UBE
Flexible Options on Long-Term U.S. Treasury Bond Futures	40B	97, 98	UBE
2-Year US Dollar Interest Rate Swap Futures	51	T1U	26
5-Year US Dollar Interest Rate Swap Futures	52	F1U	25
10-Year US Dollar Interest Rate Swap Futures	53	N1U	21
30-Year US Dollar Interest Rate Swap Futures	54	B1U	UBE
2-Year Euro Interest Rate Swap Futures	55	T1E	26
5-Year Euro Interest Rate Swap Futures	56	F1E	25
10-Year Euro Interest Rate Swap Futures	57	N1E	21

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## Appendix A

### CBOT Rulebook Amendments

(Additions are underlined; deletions are ~~struck through~~.)

#### Chapter 5 TRADING QUALIFICATIONS AND PRACTICES

##### 589. SPECIAL PRICE FLUCTUATION LIMITS

The special price fluctuation limits applicable to those contracts with special price fluctuation limits are set forth in the Special Price Fluctuation Limits Table ("Table") in the Interpretations Section at the end of Chapter 5.

Notwithstanding any other provisions of this rule, the GCC may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating price fluctuation limits at any time and/or determining whether to halt or not to halt trading. The GCC will promptly issue an alert with respect to actions taken pursuant to this provision.

- A. Initial Price Fluctuation Limits for All Contract Months. At the commencement of each trading day, there shall be initial price fluctuation limits in effect for each futures contract month of the Primary Futures Contract (as identified in the Table) above or below the previous day's settlement price for such contract month set at the first special price fluctuation limit level as provided in the Table.
- B. (i) First Triggering Event and Temporary Trading Halt. If the lead contract month (as identified by the Exchange) of the Primary Futures Contract is bid or offered via Globex at the upper or lower price fluctuation limit at the first special price fluctuation limit level, as applicable, it will be considered a Triggering Event that will begin a two ~~(2) five (5)~~ minute monitoring period in the lead contract month. If at the end of the two ~~(2) five (5)~~ minute monitoring period, the lead contract month of the Primary Futures Contract is not bid or offered at the applicable special price fluctuation limit, the special price fluctuation limits shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the Primary Futures Contract as provided in the Table. If, however, at the end of two ~~(2) five (5)~~ minute monitoring period, the lead contract month of the Primary Futures Contract is bid or offered at the applicable special price fluctuation limit, a two (2) minute Temporary Trading Halt will commence in all contract months of the Primary Futures Contract as well as in all contract months of Associated Products of the Primary Futures Contract as provided in the Table. In addition, trading in any Associated Product that is an option related to the Primary Futures Contract or in an option contract related to any other Associated Product of the Primary Futures Contract of this rule that may be available for trading on Globex or on the trading floor shall be subject to a coordinated Temporary Trading Halt.

(ii) Expansion of Limits Following Temporary Trading Halt. Following the end of a Temporary Trading Halt, the affected markets shall re-open simultaneously in all contract months of the Primary Futures Contract as well as in all contract months of Associated Products of the Primary Futures Contract of this rule. When trading resumes, the price fluctuation limits of the Primary Futures Contract shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the Primary Futures Contract as provided in the Table.

(iii) Each instance in which a Triggering Event occurs, a ~~two (2)~~<sup>five (5)</sup> minute monitoring period will commence as provided in Sections 589.~~B(i)2.(a) and 589.2.(b)~~. In each instance, the price fluctuation limits for each contract month of the Primary Futures Contract shall be expanded by an additional increment as provided in the Table above and below the previous day's settlement price for such contract month. Following the fourth triggering event, there will be no further limits.

(iv) A Primary Futures Contract shall not be the lead Primary Futures Contract on the contract's last trading day. There shall be no special price fluctuation limits during the period between the first position day and the last delivery day of an expiring Treasury futures contract that serves as a primary futures contract for the purposes of Rule 589. Additionally, there shall be no temporary trading halts or expansion of special price fluctuation limits during the last five (5) minutes of trading during the period between the first position day and the last delivery day of an expiring Treasury futures contract that serves as a primary futures contract for the purposes of Rule 589.

C. Price Fluctuation Limits on Trading Floor (Floor Trading)

(i) The special price fluctuation limits cited in Section 589.~~A4~~. of this rule shall be applicable on the trading floor. All markets on the trading floor shall be limited to trading at these special fluctuation price levels (locked limit); however, such trading shall not constitute a Triggering Event for purposes of a Temporary Trading Halt.

(ii) In all instances when a ~~Temporary Trading Halt~~<sup>Triggering Event</sup> in the lead contract month of the Primary Futures Contract occurs on Globex, floor trading in all contract months of the Primary Futures Contract and in all contract months of Associated Products of the Primary Futures Contract of this rule shall immediately halt. Additionally, trading in any option related to the Primary Futures Contract or in an option contract related to any Associated Product of the Primary Futures Contract of this rule shall be subject to a coordinated Temporary Trading Halt.

(iii) Whenever Globex markets are re-opened with expanded price limits pursuant to the provisions of Section 589.~~B2~~. of this rule, the affected markets on the trading floor shall simultaneously re-open with the expanded limits in place.