



Special Executive Report

DATE: February 11, 2016

SER#: 7585

SUBJECT: Administrative Amendments to 10-Year U.S. Treasury Note (Ultra 10-Year Treasury Note) Futures Contract

Effective on Friday, February 12, 2016 The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") will implement non substantive amendments to Rule 26101. ("Contract Specifications") of the 10-Year U.S. Treasury Note Futures contract (Ultra 10-Year Treasury Note) ("the Contract") (CBOT Rulebook Chapter: 26; CME Globex/CME ClearPort Code: TN). More specifically, the Exchange is clarifying the description of deliverable grade eligibility of the Contract such that the remaining term to maturity is rounded down to the nearest quarter only for the purposes of calculating the appropriate conversion factor. The rule amendments are provided in Appendix A attached. No other amendments are being made to the Contract.

It is important to note that the amendments are non-substantive and administrative in nature and will, **in no matter**, impact the structure or value of the Contract.

The Commodity Futures Trading Commission ("CFTC") will be notified of the amendments during the week of February 15, 2016, via the weekly notification procedures set forth in Part 40 of the CFTC Regulations.

Appendix A summarizes the amendments in blackline format.

Please refer questions on this subject to:

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Appendix A

Chapter 26

10-Year U.S. Treasury Note Futures

26101. CONTRACT SPECIFICATIONS

26101.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 10 years; and
- (b) a remaining term to maturity of not less than 9 years 5 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 three-month increment (e.g., 9 years 10 months 17 days shall be taken to be 9 years 9 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.

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.

26101.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 26105.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 26104.A.). P shall be expressed in points and fractions of points with par on the basis of 100 points (Rule 26102.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 the purpose of determining the conversion factor, the remaining term to maturity shall be rounded down to the nearest three-month increment (e.g., 9 years 10 months 17 days shall be taken to be 9 years 9 months).**

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. Assume that c is 0.9633. The product expression $(\$1000 \times P \times c)$ is found to be \$97,097.6296875. The rounded amount that enters into determination of the *Invoice Amount* is \$97,097.63.

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 26102.B.