

## Chapter 58 Treasury Invoice Swaps

### 58100. SCOPE OF CHAPTER

This chapter is limited in application to trading of Treasury Invoice Interest Rate Swaps (“Treasury Invoice Swaps”). Procedures for trading, clearing, settlement, and any other matters not specifically covered herein, shall be governed by the general rules of the Exchange and of Chicago Mercantile Exchange (“CME”) Rulebook Chapters 8F, 8G, 900, and 901, as applicable (“Rules”).

Capitalized terms in this Chapter that are not otherwise defined in this Chapter shall have the meanings given to such terms in other Chapters of the Rules. Except as noted, references in this Chapter to Rules or Chapters shall be to the Rules of the CBOT or to the Chapters of the CBOT Rulebook. Capitalized terms in this Chapter that are not otherwise defined in this Chapter or in the other Chapters of the Rules shall have the meanings set forth in the ISDA Definitions (CME Rule 90002.N.).

Except as noted, all times referenced in this Chapter are Chicago times and are subject to change by the Exchange.

### 58101. CONTRACT SPECIFICATIONS

#### 58101.A. Definitions

1. CBOT Treasury Futures Contract  
Short-Term U.S. Treasury Note (2-Year) futures (Chapter 21), Medium-Term U.S. Treasury Note (5-Year) futures (Chapter 20), U.S. Treasury Note (6 ½ to 8-Year) futures (Chapter 19), Ultra 10-Year U.S. Treasury Note futures (Chapter 26), U.S. Treasury Bond futures (Chapter 18), or Ultra U.S. Treasury Bond futures (Chapter 40) listed for trading on the CBOT.
2. Related Futures Contract  
For a given Treasury Invoice Swap made under these rules, a given CBOT Treasury Futures Contract (Rule 58101.A.1.) for a given delivery month as specified in the Swap Elections for such Treasury Invoice Swap, including but not limited to the Effective Date (Rule 58101.B.1.), Fixed Rate Payment Dates (Rule 58101.B.7.), Floating Rate Payment Dates (Rule 58101.B.10.), and Initial Floating Rate Payment (Rule 58101.B.16.).
3. Related Treasury CUSIP  
A given Treasury security designated by the Exchange as eligible for delivery in fulfillment of the Related Futures Contract (also viewed [HERE](#)) (Rule 58101.A.2.).
4. Related Futures Delivery Date  
A given date allowable for delivery of Treasury securities in fulfillment of the Related Futures Contract (Rule 58101.A.2.). Without limitation to the foregoing, such Related Futures Delivery Date typically shall be either the first delivery date or the last delivery date allowable under the terms of such Related Futures Contract.
5. Treasury Delivery Invoice Yield  
The yield to maturity that corresponds to the delivery invoice amount implied by the market price of a given Related Futures Contract (Rule 58101.A.2.), to be fulfilled by delivery of a specified Related Treasury CUSIP (Rule 58101.A.3.) for settlement on a specified Related Futures Delivery Date (Rule 58101.A.4.).
6. Swap Spread  
The price of an intercommodity spread comprising a Treasury Invoice Swap and the corresponding Related Futures Contract (Rule 58101.A.2.), expressed as the difference between the Fixed Rate (Rule 58101.B.8) for such Treasury Invoice Swap minus a Treasury Delivery Invoice Yield (specified subject to Rule 58101.A.5.) for such Related Futures Contract.

A party entering such intercommodity spread as the buyer shall be the payer of Fixed Rate interest (Rule 58101.B.8.) in such Treasury Invoice Swap and shall be the purchaser of such Related Futures Contract. A party entering such intercommodity spread as the seller shall be the receiver of Fixed Rate interest in such Treasury Invoice Swap and shall be a seller of such Related Futures Contract.

### **58101.B. Swap Elections**

Any contract made under these Rules shall be an Interest Rate Swap Contract ("IRS Contract" per CME Rule 90002.J.) that is accepted for clearing by the Clearing House subject to CME Rulebook Chapters 8F, 8G, 900, and 901, and that is subject to the following Contract Elections (CME Rule 90002.F.):

1. Effective Date: A specified Related Futures Delivery Date (Rule 58101.A.4.) for a specified Related Futures Contract (Rule 58101.A.2.).
2. Currency: US dollars (CME Rule 90102.B.).
3. Notional Amount: Any integer multiple of \$0.01.
4. Business Day(s): New York
5. Business Day Convention: Modified Following.
6. Termination Date: Maturity date of a given Related Treasury CUSIP (Rule 58101.A.3.).
7. Fixed Rate Payment Dates: All semiannual period dates, made with reference to a given Termination Date (Rule 58101.B.6.), in the interval beginning with and not including the Effective Date (Rule 58101.B.1.) and ending with and including such Termination Date.
8. Fixed Rate: See Rule 58102.C.
9. Fixed Rate Day Count: 30/360.
10. Float Rate Payment Dates: All quarterly period dates, made with reference to a given Termination Date (Rule 58101.B.6.), in the interval beginning with and not including the Effective Date (Rule 58101.B.1.) and ending with and including such Termination Date.
11. Floating Rate Option: USD-SOFR-COMPOUND (CME Rule 90102.E.1.).
12. Designated Maturity: Three (3) months, subject to Rule 58101.B.16.
13. Floating Rate Day Count: Actual/360.
14. Spread: None.
15. Compounding: None.
16. Initial Float Rate Payment: The floating rate for determination of the Initial Floating Rate Payment shall be set:
  - (a) by linear interpolation, on the basis of Actual/360 Floating Rate Day Count (Rule 58101.B.13.) with respect to New York Business Days (Rule 58101.B.4.) subject to the Modified Following Business Day Convention (Rule 58101.B.5.),
  - (b) applied to two (2) USD-SOFR-COMPOUND values for notional settlement on the Effective Date (Rule 58101.B.1.),

- (c) where one such USD-SOFR-COMPOUND value is for the standardized Designated Maturity date next preceding the date of such Initial Floating Rate Payment, and the second such USD-SOFR-COMPOUND value is for the standardized Designated Maturity date next following the date of such Initial Floating Rate Payment.

Without limitation to the foregoing, such interpolation typically will be applied to pairs of USD-SOFR-COMPOUND values for Designated Maturities of two (2) months and three (3) months, or of one(1) months and two (2) months, or of one (1) week and one (1 ) month.

## **58102. TRADING SPECIFICATIONS**

For Treasury Invoice Swap contracts made under these Rules, the number of Effective Dates (Rule 58101.B.1.) and Termination Dates (Rule 58101.B.6.) open for trading at a given time shall be determined by the Exchange.

Trading in any Treasury Invoice Swap contract made under these Rules shall be subject to the Interpretations & Special Notices Relating to Chapter 58.

### **58102.A. Trading Schedule**

The hours of trading shall be determined by the Exchange.

### **58102.B. Trading Unit**

The contract quantity shall be an integer multiple of \$0.01 of Notional Amount (Rule 58101.B.3.), subject to the Interpretations & Special Notices Relating to Chapter 58.

### **58102.C. Price Basis**

Any price quoted or made in connection with creation of a Treasury Invoice Swap contract under these Rules shall be in terms of the Fixed Rate for such swap (Rule 58101.B.8.), subject to the Interpretations & Special Notices Relating to Chapter 58.

### **58102.D. Position Limits and Position Accountability**

The applicable position limits and/or accountability levels are set forth in the Position Limit and Position Accountability Table in the Interpretations & Special Notices Section of Chapter 5.

A person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

### **58102.E. Termination of Trading**

Trading on the CBOT in any Treasury Invoice Swap made under these Rules shall terminate with termination of trading in the Related Futures Contract (Rule 58101.A.2.) corresponding to such Treasury Invoice Swap.

## **58103. CLEARING GUARANTEE**

### **58103.A. Requirements for Market Participation**

Any party entering an order for, or executing a transaction in, any Treasury Invoice Swap made under these Rules shall be either an IRS Clearing Member (CME Rule 90002.I) or an IRS Participant registered with CME pursuant to CME Rule 90005.A or CME Rule 90005.B , respectively.

### **58103.B. IRS Product Account Registration**

Any order for, or transaction in, a Treasury Invoice Swap made under these Rules must be identified with an IRS Product account number that identifies the holder of such IRS Product account, and that specifies whether such IRS Product account is either (1) a proprietary account of an IRS Clearing Member or (2) held by a customer registered with CME by an IRS Clearing Member as an IRS Participant (CME Rule 8F009. and CME Rule 90005.B.). Such IRS Clearing Member shall guarantee and assume complete responsibility for the financial obligations of the party on whose behalf such order or trade is entered.

### **58103.C. Clearing House Financial Safeguards**

Any Treasury Invoice Swap made under these Rules shall be an IRS Product subject to the Clearing House financial safeguards provided by the IRS Guaranty Fund.

## INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 58

### 1. Trading Specifications

Until such time as the Exchange shall enable outright trading in Treasury Invoice Swap contracts made under these Rules, trading in any such Treasury Invoice Swap contract shall be permitted only where such Treasury Invoice Swap contract is traded as a component of a Swap Spread (Rule 58101.A.6.) comprising the corresponding Related Futures Contract (Rule 58101.A.2.).

### 2. Trading Unit

Subject to Special Notice 1. for Trading Specifications of these Interpretations & Special Notices, the Trading Unit for any Treasury Invoice Swap contract made under these Rules shall be as prescribed by the Exchange from time to time.

Without limitation to the foregoing, the Exchange typically shall prescribe the Trading Unit for such Treasury Invoice Swap contract so that the order of magnitude of the corresponding Notional Amount (Rule 58101.B.3.) shall be comparable to the order of magnitude of the Trading Unit for the corresponding Related Futures Contract. (See CBOT Rule 21102.B. where such Related Futures Contract is Short-Term U.S. Treasury Note (2-Year) futures, CBOT Rule 20102.B. where such Related Futures Contract is Medium-Term U.S. Treasury Note (5-Year) futures, CBOT Rule 19102.B. where such Related Futures Contract is U.S. Treasury Note (6 ½ to 8-Year) futures, CBOT Rule 26102.B. where such Related Futures Contract is Ultra 10-Year U.S. Treasury Note futures, CBOT Rule 18102.B. where such Related Futures Contract is U.S. Treasury Bond futures, or CBOT Rule 40102.B. where such Related Futures Contract is Ultra U.S. Treasury Bond futures.)

### 3. Price Basis

Subject to Special Notice 1. for Trading Specifications of these Interpretations & Special Notices, the Price Basis for any Treasury Invoice Swap contract made under these Rules shall be the corresponding Swap Spread (Rule 58101.A.6.). Such Swap Spread, or any spread or combination consisting of such Swap Spreads, shall be quoted and made as an integer multiple of one tenth (1/10) of one interest rate basis point per annum (1/100th of one percent per annum, eg, 10.9, 11.0, 11.1, or 11.2 basis points per annum), on the basis of 30/360 day count (Rule 58101.B.9.), with semiannual compounding of interest (Rule 58101.B.7.).

Where a Treasury Invoice Swap contract is made at a given Swap Spread:

**3.a.** The **Fixed Rate** of interest (Rule 58101.B.8.) for such Treasury Invoice Swap contract shall be the sum of such Swap Spread (Rule 58101.A.6.), re-expressed in terms of interest rate per annum, plus the corresponding Treasury Delivery Invoice Yield (Rule 58101.A.5.).

*Example:* Assume that a given CBOT Treasury Invoice Swap trades at a price equal to 11.2 basis points per annum or, equivalently, 0.112 percent per annum. Assume moreover that for the corresponding Related Futures Contract, Related Treasury CUSIP, and Related Futures Delivery Date, the Treasury Delivery Invoice Yield is equal to 2.550 percent per annum. Then such Treasury Invoice Swap shall be submitted to CME Clearing for centralized clearing and guarantee at a Fixed Rate of 2.662 percent per annum, equal to 2.550 percent plus 0.112 percent.

**3.b.** Such **market price of the corresponding Related Futures Contract** shall be defined as the CME Last price of such Related Futures Contract, as indicated on the CME Globex electronic trading platform at the time of transaction of such Treasury Invoice Swap contract. Without limitation to the foregoing, for a given Related Futures Contract the CME Last price shall be the most recent of:

- (i) such Related Futures Contract's latest CME Globex transaction price, or
- (ii) the CME Globex bid price that betters the bid side of the market, or
- (iii) the CME Globex asking price that betters the ask side of the market, or
- (iv) such Related Futures Contract's latest daily settlement price.