

July 25, 2005

NOTICE

Notice Reaffirming Position Limits in Treasury Futures During Last Ten Trading Days Effective with December 2005 Contracts

The Chicago Board of Trade wishes to reaffirm the Notice issued on June 29, 2005 that amended Regulation 425.01 to establish position limits for all Treasury futures contracts during the last ten days of trading, beginning with the **December 2005** expiration cycle.

The decision to establish position limits during the last ten trading days was carefully considered by both management and the Board of Directors and was made following an analysis of relevant market factors and consideration of the feedback received from a diverse group of market participants. Various government agencies were also briefed on our decision to take this action. The amendment was implemented to help ensure that the contracts perform their price discovery and risk management functions in the best interests of the broad spectrum of market users, both hedgers and speculators, and in keeping with our responsibilities as a self-regulatory organization. This action furthers the Exchange's interest in providing deep, liquid and transparent markets and underscores our commitment to protecting the integrity of these contracts.

According to the amendment, the maximum positions that a person, as defined in Regulation 425.01 (c), may own or control during this period are identified in the table below:

Contract	Position Limit During Last Ten Trading Days
Treasury Bonds	25,000 contracts
Ten-Year Treasury Notes	50,000 contracts
Five-Year Treasury Notes	35,000 contracts
Two-Year Treasury Notes	25,000 contracts

No exemptions will be permitted.

In determining compliance with these limits, all positions in accounts for which the person, by power of attorney or otherwise, directly or indirectly controls trading shall be aggregated. A 10% or more financial ownership interest in an account constitutes control; consequently, separate accounts owned by the same legal entity are aggregated, irrespective of whether the accounts have independent account controllers. These limits also apply to positions held by two or more persons acting pursuant to an express or implied understanding.

The manner in which accounts are aggregated is consistent with how accounts are customarily aggregated for position limit purposes in the futures industry and should not, as some have suggested, require changes to current large trader reporting procedures. Any questions regarding how accounts will be aggregated may be directed to the contacts identified at the end of this notice.

As previously stated, this action *does not* ensure that the cheapest to deliver (ctd) security will be the only security necessary to satisfy delivery obligations, nor does it ensure that a contract's fair value will be priced exclusively with reference to its ctd. If the level of contract open interest at expiration exceeds the available supply of the ctd, then at least some short position holders in the contract will necessarily have to fulfill their delivery obligations with a security other than the ctd, selected from the relevant basket of deliverable-grade securities. Market factors will thus dictate whether the futures contract prices a single-issue or a multi-issue delivery.

As part of its surveillance program, the Exchange will continue to ensure that participants holding significant positions in expiring contracts, on either side of the market, are economically justified in doing so. The CBOT's Market Surveillance staff has direct access to the daily futures positions of all large traders and the ability to obtain information about a participant's cash positions and financing activities. This information, in addition to published data, confidential discussions with market participants, and information shared by relevant Federal agencies, enable the Market Surveillance staff and the Exchange's Business Conduct Committee to monitor activity pertinent to the integrity of the Exchange's markets.

Exchange Regulations 425.06 and 425.07, which establish Position Accountability for Treasury futures contracts, will continue to apply.

Questions regarding this notice may be directed to Joe Hawrysz (312.341.7750 / jhawrysz@cbot.com) or Dean Payton (312.435.3658 / dpayton@cbot.com) of the CBOT's Office of Investigations & Audits.

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Vice President & Secretary