

July 19, 2006

## **NOTICE**

### **Revised Position Limits in Treasury Futures During Last Ten Trading Days**

*Effective March 2007 Expiration Cycle*

The Chicago Board of Trade recently completed a review of the Treasury futures position limits that apply during the last ten trading days of each expiring Treasury futures contract. The Exchange concluded that the position limits have been effective in protecting the integrity of contract expirations and remain appropriate to the objective of ensuring that the contracts effectively perform their price discovery and risk management functions.

Based upon this review, the Exchange has also determined, effective with the March 2007 expiration cycle, to increase the position limits in Ten-Year Treasury Note futures and Five-Year Treasury Note futures, and to modify the standard by which positions will be aggregated for purposes of compliance with these limits.

### **Revised Limits for Five-Year and Ten-Year Treasury Note Futures**

The position limits for each contract, effective with the March 2007 expiration, are detailed in the table below. As is presently the case, no hedge exemptions will be permitted.

	Current Position Limit During Last 10 Trading Days	New Position Limit During Last 10 Trading Days	Effective Quarterly Cycle
<b>Treasury Bonds</b>	25,000	25,000	March 2007
<b>Ten-Year Treasury Notes</b>	50,000	60,000	March 2007
<b>Five-Year Treasury Notes</b>	35,000	45,000	March 2007
<b>Two-Year Treasury Notes</b>	25,000	25,000	March 2007

### **Revised Aggregation Standards for Treasury Futures Position Limits**

In determining compliance with these limits, all positions in accounts for which the person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading shall be aggregated, except as otherwise exempted in accordance with amended Regulation 425.05, which is detailed on the following page. The limits also apply to positions held by two or more persons acting pursuant to an express or implied agreement or understanding.

Under the current aggregation standards for Treasury futures position limits, independently controlled accounts of different legal entities are disaggregated, irrespective of whether the entities are affiliated, while independently controlled accounts of the same legal entity are aggregated.

The revised standards maintain the exemption from aggregation for the independently controlled accounts of separate legal entities. The revised standards also establish new exemptions for independently controlled accounts of eligible entities, as defined in Commodity Futures Trading Commission Regulation 150.1(d). Amended CBOT Regulation 425.05, which follows, becomes effective with the March 2007 expiration cycle.

#### **425.05 Exemption from Aggregation for Position Limit Purposes**

(a) Positions carried for an eligible entity, as defined in Commodity Futures Trading Commission Regulation 150.1(d), on behalf of customers and in a separate account or accounts of an independent account controller, as defined in Commodity Futures Trading Commission Regulation 150.1(e), may exceed the position limits set forth in Regulation 425.01, to the extent such positions are Treasury futures positions or positions not for the spot month in any other commodity. However, the overall positions held or controlled by each such independent account controller may not exceed the limits specified in Regulation 425.01.

(b) Additional Requirements for Exemption of Affiliated Entities - If the independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must:

- 1) Have, and enforce, written procedures to preclude the affiliated entities from having knowledge of, gaining access to, or receiving data about, trades of the other. Such procedures must include document routing, and other procedures or security arrangements, including separate physical locations, which would maintain the independence of their activities. However, such procedures may provide for the disclosure of information which is reasonably necessary for an eligible entity to maintain the level of control consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf;
- 2) Trade such accounts pursuant to separately developed and independent trading systems and market such trading systems separately; and
- 3) Solicit funds for such trading by separate Disclosure Documents that meet the standards of Commodity Futures Trading Commission Regulations 4.24 or 4.34, as applicable.

(c) Additionally, Treasury futures positions carried in independently controlled accounts owned by different legal entities, irrespective of whether the entities qualify as eligible entities, may exceed the position limits set forth in Regulation 425.01 provided that affiliated legal entities meet the independence standards specified in (b) above and provided that the overall positions held or controlled by each such independent account controller may not exceed the limits specified in Regulation 425.01.

(d) Positions held by futures commission merchants or their separately organized affiliates in customer discretionary accounts or guided account programs controlled by independent traders will be exempt from aggregation in accordance with the standards set forth in Commodity Futures Trading Regulation 150.4(d).

(e) Upon request by the Exchange, any person claiming an exemption from speculative position limits under this Regulation must provide to the Exchange such information as specified in the request relating to the positions owned or controlled by that person; trading done pursuant to the claimed exemption; the futures, options, or cash market positions which support the claim of the exemption; and the relevant business relationships supporting a claim of exemption.

Additionally, Exchange Regulation 425.06 which establishes position accountability for Treasury futures contracts will continue to apply.

Questions regarding this notice should be directed to the following individuals in the Office of Investigations and Audits:

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