Special Executive Report

DATE: **February 16, 2016**

SER#: **7594**

SUBJECT: **Amendments to the Implementation of Minimum Price Increment for the 30-Day Federal Funds Futures Contract**

Effective Sunday, February 28, 2016 for trade date Monday, February 29, 2016, and pending all relevant CFTC regulatory review periods, The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") will modify the implementation of the minimum tick size for the nearest expiring 30-Day Federal Funds Futures contract ("the Contract") (CBOT Rulebook Chapter 22; CME ClearPort Code: 41; CME Globex Code: ZQ).

Currently, the Exchange implements the ¼ basis point tick size on the first trading day of the week following the last business day of the month. The amendments will modify this methodology and apply a ¼ basis point minimum tick size on the first trading day of the last week of the month when the last trading day of the nearest contract is on or between Monday and Thursday. The current methodology will continue to be utilized in the event that the last trading day of the expiring contract falls on a Friday.

Also at this time, the Exchange will implement various other administrative amendments to CBOT Rulebook Chapter 22.

Appendix A provides amendments to CBOT Chapter 22 in blackline format.

Please refer questions on this subject to:

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Appendix A

Rule Amendments to CBOT Product Chapter

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

Chapter 22
30-Day Federal Funds Futures

22100. SCOPE OF CHAPTER

This chapter is limited in application to ~~futures~~ trading of 30-Day Federal Funds futures (“futures”). The procedures for trading, clearing, delivery and settlement, and any other matters not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

22101. CONTRACT SPECIFICATIONS

The contract grade shall be 100 minus the arithmetic average of the daily effective federal funds ~~Fed Funds overnight~~ rate during ~~for~~ the contract delivery month. Such arithmetic average shall be rounded to the nearest one tenth of one basis point per annum, and shall be rounded up in the case of a tie. ~~The average daily Fed Funds overnight rate is a simple average of the daily Fed Funds overnight rates~~ The daily effective federal funds rate shall be as published ~~as determined~~ by the Federal Reserve Bank of New York. ~~This simple average will be rounded to the nearest tenth of a basis point and rounded up in the case of a tie.~~

For any day~~s~~ during the contract delivery month for which the Federal Reserve Bank of New York does not publish ~~compute~~ a rate (e.g., weekends and holidays), the rate shall be the rate ~~determined on~~ for the last ~~business~~ day for which a rate was published ~~determined~~.

22102. TRADING SPECIFICATIONS

Trading in ~~30-Day Fed Fund~~ futures is regularly conducted in all calendar months. The number of delivery months open for trading at a given time shall be determined by the Exchange.

22102.A. Trading Schedule

The hours of trading ~~for 30-Day Fed Fund futures~~ shall be determined by the Exchange. ~~On the last day of trading in an expiring future, the expiring future shall close at 4:00 p.m. Chicago time.~~

22102.B. Trading Unit

~~The unit of trading shall be interest on Fed Funds having a face value of $5,000,000 or multiples thereof for one month calculated on a 30-day basis at a rate equal to the average overnight Fed Funds rate for the contract month.~~

For a contract for a given delivery month, the Trading Unit shall be a US domestic interbank deposit in the amount of $5,000,000 that pays interest at a rate equal to the arithmetic average of the daily effective federal funds rate during such contract’s delivery month.

22102.C. Price Increments[1]

~~Prices will be quoted on an index basis: 100 minus the monthly average overnight Fed Funds rate (e.g., a rate of 6.50% is quoted at 93.50). For the nearest expiring contract month, the minimum price fluctuation shall be in increments of one-quarter of one-hundredth of one percent of five million dollars on a 30 day basis ($10.4175 per one-quarter basis point), rounded up to the nearest cent. For all other contract months, the minimum price fluctuation shall be in increments of one-half of one-hundredth of one percent of five million dollars on a 30 day basis ($20.835 per one-half basis point), rounded up to the nearest cent.~~

For a contract for a given delivery month, the price shall be quoted in terms of price points, as 100.0000 price points minus the average daily effective federal funds rate during such contract’s delivery month. (For example, an average daily effective federal funds rate of 4.3275 percent shall be quoted as 95.6725 price points.)

[1] Revised January 2009 and February 2016.

The minimum price fluctuation shall be 0.005 price points, equal to $20.835 per contract, *subject to the following exceptions*:

> Where the first day of a contract's delivery month is a Saturday, a Sunday, or a Monday, the minimum price fluctuation for such contract shall be 0.0025 price points, equal to $10.4175 per contract, as of the first Trading Day of such contract delivery month.
>
> Where the first day of a contract's delivery month is a Tuesday, a Wednesday, a Thursday, or a Friday, the minimum price fluctuation for such contract shall be 0.0025 price points, equal to $10.4175 per contract, as of the Trading Day immediately following the last Sunday of the month preceding such contract delivery month.

22102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level 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.

22102.E. Special Price Fluctuation Limits

At the commencement of each trading day, the contract shall be subject to special price fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

22102.F. Termination of Trading

The last day of trading ~~shall~~ in an expiring futures contract shall be the last ~~b~~Business ~~d~~Day of ~~the~~ such contract's delivery month. Trading in expiring futures shall terminate at the close of the Trading Day on the last day of trading. ~~After trading in contracts for future delivery in the current delivery month has ceased, outstanding c~~Contracts that remain outstanding following termination of trade ~~for such delivery~~ shall be liquidated by cash settlement pursuant to ~~as prescribed in~~ Rule 22103.

22103. DELIVERY ON FUTURES CONTRACTS

Delivery ~~against 30-Day Fed Fund futures contracts~~ shall be made by cash settlement through the Clearing House following normal variation margin procedures. The final settlement price of an expiring contract shall ~~will~~ be calculated on the business day on which ~~that~~ the Federal Reserve Bank of New York publishes ~~releases~~ the daily effective federal funds ~~overnight Fed Funds~~ rate for the last day of such contract's delivery month ~~trading~~. ~~The~~ Such final settlement price shall be 100 minus the arithmetic average of the daily effective federal funds rate during the contract delivery month ~~average daily Fed Funds overnight rate for the delivery month~~. On their last day of trading, open contracts shall ~~will~~ be marked to market by reference to ~~based on~~ the Exchange daily settlement price ~~2:00 p.m. futures price~~. The ~~A~~ final mark to market on such contracts shall ~~will~~ be made on the day the final settlement price is determined.

~~22104. STRIP TRANSACTIONS~~

~~A 30-Day Fed Fund futures strip transaction involving the simultaneous purchase or sale of an equal amount of futures contract months at a differential to the previous settlement prices is permitted subject to the general rules of the Exchange regarding spread trading.~~