



Special Executive Report

S- 7191

September 17, 2014

Modification of CBOT U.S. Treasury Bond Futures Contract Grade for Three (3) Delivery Months

As previously announced, The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") will modify the Contract Grade for three (3) deferred delivery months for CBOT U.S. Treasury Bond Futures, as follows --

Exclude the 5-3/8% of 15 February 2031 U.S. Treasury Bond (CUSIP 912810FP8) from the Contract Grade for the following delivery months: June 2015, September 2015, and December 2015

This change addresses the five-year gap in the Contract Grade that exists due to the lack of Treasury Bond issuance between early 2001 and early 2006. Excluding this specific bond from delivery eligibility in these three deferred delivery months will prevent a situation of having a single bond issue isolated as the five-year gap nears the front of the delivery basket, while ensuring no more than negligible impact on the overall size of deliverable supply. This solution was reached after extensive consultation with Bond futures market participants.

The Contract Grade of CBOT U.S. Treasury Bond futures consists of bonds with remaining terms to maturity of at least 15 years but less than 25 years. The modification enables the 4-1/2% of 15 February 2036, a bond with a remaining term to maturity of more than 20 years, to become the shortest bond in the basket three quarterly contract months earlier than if no change was made. Table 1 below shows the baskets that will be modified.

The Exchange now customarily lists three quarterly (March, June, September and/or December) delivery months in U.S. Treasury Bond futures. As a result, **the first delivery month affected, June 2015, will be listed for trading on September 22, 2014.** The marketplace was notified of this change on December 13, 2013 via a CME Group news release, giving ample time for adjustments to trading systems.

Pursuant to CBOT Rule 18101.A., the Exchange is authorized to disallow any issue from the Contract Grade.

Conversion factors published by the Exchange have been revised to reflect this change.

For more information, please visit: cmegroup.com/bondbasket

Please direct questions regarding this notice to:

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TABLE 1

DELIVERY MONTH			
Jun. 2015	Sep. 2015	Dec. 2015	
5.375% Feb 2031	5.375% Feb 2031	5.375% Feb 2031	<div style="border: 1px solid red; padding: 5px; display: inline-block;"> 5.375% Feb 2031 T-Bond NOT ELIGIBLE FOR DELIVERY into Jun15, Sep15, and Dec15 </div>
<div style="border-top: 1px solid black; border-bottom: 1px solid black; width: 100%; margin: 0 auto;"> } --- 5-Year Gap --- { </div>			
4.5% Feb 2036	4.5% Feb 2036 (\$22.1B)	4.5% Feb 2036	<div style="border: 1px solid blue; padding: 5px; display: inline-block;"> ELIGIBLE FOR DELIVERY into Jun15, Sep15, and Dec15 (per contract specifications) </div>
4.75% Feb 2037	4.75% Feb 2037 (\$15.3B)	4.75% Feb 2037	
5% May 2037	5% May 2037 (\$19.8B)	5% May 2037	
4.375% Feb 2038	4.375% Feb 2038 (\$20.5B)	4.375% Feb 2038	
4.5% May 2038	4.5% May 2038 (\$24.0B)	4.5% May 2038	
3.5% Feb 2039	3.5% Feb 2039 (\$23.8B)	3.5% Feb 2039	
4.25% May 2039	4.25% May 2039 (\$33.8B)	4.25% May 2039	
4.5% Aug 2039	4.5% Aug 2039 (\$37.5B)	4.5% Aug 2039	
4.375% Nov 2039	4.375% Nov 2039 (\$36.0B)	4.375% Nov 2039	
4.625% Feb 2040	4.625% Feb 2040 (\$34.3B)	4.625% Feb 2040	
4.375% May 2040	4.375% May 2040 (\$30.3B)	4.375% May 2040	
	3.875% Aug 2040 (\$38.2B)	3.875% Aug 2040	
		4.25% Nov 2040 (\$36.1B)	
11	12	13	
\$297	\$336	\$372	Total Issuance Size