

July 7, 2003

**NOTICE**

**RE: WHOLESALE TRANSACTIONS IN INTEREST RATE SWAP FUTURES AND AGENCY NOTE FUTURES**

The following contract markets will be designated as eligible for Wholesale Transactions effective **Wednesday, July 9, 2003**, by decision of the Board of Directors under the provisions of Regulation 331.05:

10-Year Interest Rate Swap Futures  
5-Year Interest Rate Swap Futures  
10-Year Agency Note Futures  
5-Year Agency Note Futures

Members may enter into Wholesale Transactions outside of the Exchange's central markets, provided that the following conditions are satisfied:

- (1) Hours**  
Wholesale Transactions are permitted only between 7:00 am and 4:00 pm Chicago time. Wholesale Transactions are not permitted on the last day of trading in an eligible contract.
- (2) Eligible contract expiration months**  
To be eligible for a Wholesale Transaction, a futures contract expiration month must have previously traded in the Exchange's central markets. (Subject to said restriction, an eligible futures contract expiration month need not have open interest at the time that a Wholesale Transaction is executed in it.)
- (3) Eligible contract spreads**  
A Wholesale Transaction can be executed only for an eligible futures contract, or for a **calendar spread** for which each leg is an eligible futures contract expiration. Wholesale Transactions **cannot** be executed for cash-futures basis transactions or for intermarket contract spread transactions (e.g., Agency-Swap futures spreads, Treasury-Agency futures spreads, Treasury-Swap futures spreads, 5-year Swap/10-year Swap spreads).

**(4) Participant Eligibility**

Any nonmember customer to a Wholesale Transaction must qualify as an "eligible participant", as that term is defined in Commodity Futures Trading Commission Regulation 36.1, subject to the following exception:

If any Wholesale Transaction is entered into on behalf of customers by a commodity trading advisor registered under the Commodity Exchange Act (including without limitation any investment advisor registered as such with the Securities and Exchange Commission that is exempt from regulation under the Commodity Exchange Act or Commodity Futures Trading Commission Regulations thereunder, with total assets under management exceeding \$50 million), the individual customers need not so qualify.

**(5) Declaration of intent**

Each buy or sell order underlying a Wholesale Transaction must state explicitly that it is to be, or may be, executed by means of a Wholesale Transaction.

**(6) Minimum Size Threshold**

Each buy or sell order underlying a Wholesale Transaction must have minimum size of

2,000 contracts in the case of Interest Rate Swap Futures.

500 contracts in the case of Agency Note Futures.

Orders may **not** be aggregated in order to achieve the minimum Wholesale Transaction size.

In order for a buy or sell order underlying a Wholesale Transaction for a calendar spread to meet the minimum size requirement, the sum of the legs of the calendar spread must equal or exceed the minimum size thresholds above.

**(7) Fair and Reasonable Pricing**

The price at which a Wholesale Transaction is executed must be fair and reasonable in light of (i) its size, (ii) the price and size of other trades in the same contract at the relevant time, and (iii) the price and size of trades in other relevant markets, including (but not limited to) the underlying cash market or other related futures markets, at the relevant time.

The price at which a Wholesale Transaction is executed shall not affect conditional orders such as limit orders or stop orders, and shall not be used in establishing settlement prices. Further, Wholesale Transaction prices shall not constitute or impact daily opening, high, low, or closing prices.

**(8) Clearing**

Each Wholesale Transaction must be cleared through a clearing firm of the Exchange.

**(9) Documentation**

Order tickets corresponding to Wholesale Transactions must include the following information:

- \* a designation that the trade is a Wholesale Transaction
- \* contract
- \* contract expiration month and year
- \* number of contracts traded
- \* price of execution
- \* date and time of execution
- \* counterparty clearing number
- \* if the Wholesale Transaction was executed on behalf of a customer, then relevant details regarding said customer.

**(10) Reporting to the Exchange**

In any Wholesale Transaction, the **seller's clearing firm** must report the following information to the Exchange **within 5 minutes** immediately following execution of said Wholesale Transaction:

- \* seller's clearing firm, including clearing number, contact person, and contact person's telephone number
- \* buyer's clearing firm, including clearing number, contact person, and contact person's telephone number
- \* date and time of execution (to the nearest minute)
- \* contract
- \* contract expiration month and year
- \* number of contracts traded
- \* price of execution

Specifically, within 5 minutes of the Wholesale Transaction's execution time, the seller's clearing firm must

transmit the above information by **fax (312.341.3408)** to the Exchange's Floor Technology Support Department

and must confirm by **telephone (312.347.5611)** that the Exchange's Floor Technology Support Department has received said fax.

A template form for fax transmission will be available on the Exchange's website at **[www.cbot.com/wholesaletrading/forms](http://www.cbot.com/wholesaletrading/forms)**

**(11) Disclosure to the Public**

For each Wholesale Transaction, the Exchange will publicize the following information immediately after such information has been reported to the Exchange by the seller's clearing firm:

- \* that the trade is a Wholesale Transaction
- \* contract
- \* contract expiration month and year
- \* price
- \* quantity
- \* date and time of execution

Said information will be published on wallboards in the Exchange's open auction trading rooms, over the Exchange's ticker and quote-vendor network, and on the Exchange's website ([www.cbot.com](http://www.cbot.com))

**(12) Transaction Fee Surcharge**

In addition to the fees specified in Rule 450.00(a) or 450.00(b), as applicable, a surcharge of **50 cents per contract side** shall apply to Wholesale Transactions.

**(13) Trade Entry**

Clearing firms will keypunch Wholesale Transactions to the Board of Trade Clearing Corporation (BOTCC) as **Type 9** trades. Clearing firms are not required to identify Wholesale Transactions as such when reporting them to BOTCC. (Additional guidance on the reporting of Wholesale Transactions following impending changes to the Exchange's clearing services provider will be forthcoming.)

**Volume and Open Interest Reporting**

When cleared by the Board of Trade Clearing Corporation, transaction volume arising from Wholesale Transactions will be reported within the category of Cash Exchange volume. Pertinent data displays on [www.cbot.com](http://www.cbot.com) will be modified such that the Cash Exchange column header will direct viewers to the following footnote:

"Effective 9 July 2003, Cash Exchange volume includes volume from Wholesale Transactions. Wholesale Transaction volume data appear separately at [www.cbot.com/wholesaletrading/data](http://www.cbot.com/wholesaletrading/data)"

Pertinent data displays will include, but will not be limited to,

\* Total futures at

[http://www.cbot.com/cbot/quotes/futures\\_volume\\_report/0,2323,12+410+480,00.html](http://www.cbot.com/cbot/quotes/futures_volume_report/0,2323,12+410+480,00.html)

\* 10-Year Interest Rate Swap Futures, 5-Year Interest Rate Swap Futures, 10-Year Agency Notes, and 5-Year Agency Notes, in the menu at

<http://www.cbot.com/cbot/www/page/0,1398,12+410+415,00.html>

The Exchange will make available separate data on Wholesale Transactions at

[www.cbot.com/wholesaletrading/data](http://www.cbot.com/wholesaletrading/data).

Paul J. Draths  
Vice President and Secretary