

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-354 (4 of 4)

Organization: Commodity Exchange, Inc. ("COMEX")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 09/01/20

Filing Description: Amendments to Rule 536.B. ("Globex Order Entry"), Rule 548. ("Priority of Execution") and Rule 576. ("Identification of Globex Terminal Operators") in Connection with Migration from iLink2 to iLink3 and Issuance of Six (6) Market Regulation Advisory Notices.

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: See filing.

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

September 1, 2020

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to Rule 536.B. (“Globex Order Entry”), Rule 548. (“Priority of Execution”) and Rule 576. (“Identification of Globex Terminal Operators”) in Connection with Migration from iLink2 to iLink3 and Issuance of Six (6) Market Regulation Advisory Notices. COMEX Submission No. 20-354 (4 of 4)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (collectively, the “Exchanges”) hereby certify to the Commission amendments to Rule 536.B. (“Globex Order Entry”), Rule 548. (“Priority of Execution”) and Rule 576. (“Identification of Globex Terminal Operators”) in connection with Migration from iLink2 to iLink3 and the issuance of six (6) associated Market Regulation Advisory Notices (collectively, the “Rule Amendments”) effective on trade date Thursday, September 17, 2020.

All market participants currently connected to the CME Globex electronic trading platform (“CME Globex”) via the Market Segment Gateway are required to migrate from iLink 2 to iLink 3 by Q4 2020. The Rule Amendments associated with the migration are generally administrative in nature and largely eliminate references to legacy tags and their associated numbers by replacing them with the title of the required audit trail information within the text of Rules and Advisory Notices. For example, the references to Tag 1028 will be amended to specifically state what it represents, which is the manual order indicator. The Rule Amendments also harmonize references to Globex Terminal Operators and the way that such parties are to be identified to the Exchange, replacing references to Tag 50 IDs with “operator ID.”

Additionally, the Exchanges will implement an administrative amendment to Rule 536.B. to clarify that entities certified by the Exchange to connect an order routing/front-end system to CME Globex through the iLink gateway are responsible for ensuring that an audit trail of each message entered into CME Globex is created by the order routing/front-end system.

The Exchanges reviewed the designated contract market core principles (“DCM Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that Rule Amendments may have some bearing on the following Core Principles:

Availability of General Information: The Rule Amendments will be posted on the CME Group website in satisfaction of this core principle. In addition, the Exchanges will issue a Special Executive Report (“SER”) to the marketplace in advance of the amendments becoming effective, which will also be posted on the CME Group website.

There were no substantive opposing views to this proposal.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the Rule Amendments comply with the Act and regulations thereunder.

The Exchanges certify that this submission has been concurrently posted on the Exchanges' website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact the undersigned at 212.299.2200 or via email at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: CME, CBOT, NYMEX/COMEX Rule 536.B., Rule 548., and Rule 576.  
Exhibit B: CME, CBOT, NYMEX/COMEX RA2007-5, RA2008-5, RA2009-5, RA2010-5, RA2011-5, RA2012-5

## EXHIBIT A

**CME, CBOT, NYMEX/COMEX Rulebooks**  
**Chapter 5**  
**(“Trading Qualifications and Practices”)**  
(additions are underscored, deletions are ~~overstruck~~)

### 536. **RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES**

[Section A. is unchanged]

#### **536.B.      Globex Order Entry**

##### **1.      General Requirement**

Each Globex Terminal Operator entering orders into Globex shall accurately input for each Application Message all fields required to be populated by the CME iLink® Message Specifications set forth in the CME Group Client Systems Wiki in effect at the time, including, but not limited to the: operator's user-ID (Tag 50 ID); price; quantity; product; expiration month; CTI code; ~~automated or manual~~ orders indicator (Tag 1028); and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Terminal Operator's user-ID (Tag 50 ID) must be present on each Application Message, including order messages, submitted to Globex. For a Globex Terminal Operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Terminal Operator's compliance with this rule with respect to the following fields: operating member ID, CTI code, ~~automated or manual~~ orders indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Terminal Operator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Terminal Operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Terminal Operator receives an order which cannot be immediately entered into Globex, the Globex Terminal Operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

##### **2.      Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for ~~creating ensuring that~~ is created. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all Fix Tag required information and fields which ~~should~~ should include, but is not limited to, the following: a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, Tag 50 operator ID, ~~automated or manual~~ orders indicator (Tag 1028), self-match prevention ID (Tag 7928) where applicable, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders, the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulation 1.31 or 1.35.

[The remainder of the Rule is unchanged.]

**548. PRIORITY OF EXECUTION**

In pit trading, non-discretionary customer orders shall be executed in accordance with their price and time priority. A member shall not execute a discretionary order, including, without limitation, an order allowing the member discretion as to time and price, while in possession of an executable customer order. No person shall allocate executions in any manner other than an equitable manner.

Non-discretionary customer orders received by a Globex ~~T~~terminal ~~O~~perator shall be entered into Globex in the sequence received. Non-discretionary orders that cannot be immediately entered into Globex must be entered when the orders become executable in the sequence in which the orders were received.

**576. IDENTIFICATION OF GLOBEX TERMINAL OPERATORS**

Each Globex ~~T~~terminal ~~O~~perator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If ~~user-operator~~ IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique ~~user-operator~~ ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using an ~~operator-user~~ ID other than the individual's own unique ~~user-operator~~ ID.

## EXHIBIT B

### MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Summary Fines for Reporting Infractions</b>
<b>Rule References</b>	<b>Rule 512</b>
<b>Advisory Date</b>	<b>September 2, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2007-5</b>
<b>Effective Date</b>	<b>September 17, 2020</b>

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1910-5 from December 17, 2019. It is being issued to eliminate references to legacy front-end audit trail tags and their associated numbers and replace such references with their titles in connection with the migration from iLink2 to iLink 3.

No substantive information in this Advisory Notice has been amended.

Rule 512 (“Reporting Infractions”) requires that all data, records and other information required to be reported to the Exchanges or CME Clearing be submitted in an accurate, complete and timely manner. The Rule authorizes the Chief Regulatory Officer or his designee to issue summary fines based on the inaccurate, incomplete or untimely submission of data or records. The summary fines may not be less than \$1,000 or in excess of \$5,000 per offense for individuals or \$10,000 per offense for firms or facilities.

Infractions subject to sanctions under Rule 512 include, but are not limited to, deficiencies related to the following types of submission or reporting requirements:

- reporting concerning large trader, open interest and long positions eligible for delivery
- Registrar reports
- block trade and EFRP reporting
- operator IDs on CME Globex trades
- manual order indicator on CME Globex trades
- sender location on CME Globex trades
- CTI (customer type indicator) codes
- Front-End audit trail requirements
- reporting related to accounts, including suspense account usage, account changes, and transfer reason codes
- CME Brokerage Reassignment (“BK”) trade recordation requirements (please see Special Executive Report S-7611 from March 4, 2016 for information on BK Trades)

The Department will continue, in its discretion, to issue warning letters for a first offense. However, consistent with CFTC regulations for designated contract markets, no more than one warning letter will be issued to an individual or entity for the same offense within a rolling 12-month period. Factors affecting the amount of the sanction under Rule 512 will include the magnitude, frequency and impact of the reporting infraction, the party’s prior disciplinary history for similar infractions and remedial actions taken to correct the identified reporting issues. The Department, in its discretion, may refer matters that it deems egregious to the Chief Regulatory Officer for consideration of charges pursuant to the provisions of Rule 406 (“Issuance of Charges”).

Rule 512 will allow parties 15 calendar days following the receipt of a summary fine to present evidence to the Department demonstrating that the fine should be rescinded or reduced. The Rule also allows parties to appeal the Department's determination that the evidence submitted was insufficient to warrant a rescission or reduction in the summary fine to the BCC if the party provides evidence of a valid basis for the appeal as set forth in the rule.

A summary fine issued pursuant to the provisions of Rule 512 constitutes a formal Exchange disciplinary action which requires the Exchange to report the matter to the CFTC pursuant to CFTC Regulation 9.11(a), and to enter the disciplinary action into the National Futures Association Basic System. Individuals and firms will not be subject to both a fine under Rule 512 and a surcharge levied by CME Clearing pursuant to Rule 852 ("Surcharges for Errors, Delays and Omissions") based on the same underlying activity.

The texts of Rules 512 and 852 appear below.

## **512. REPORTING INFRACTIONS**

### **512.A. General**

All data, records and other information required by the rules to be reported to the Exchange or the Clearing House, as applicable, must be submitted in an accurate, complete and timely manner.

### **512.B. Sanctions**

1. Except as otherwise provided in Rule 536, the Chief Regulatory Officer or his designee shall have the authority to impose summary fines on parties who have consented to the jurisdiction of the Exchange. Summary fines shall not be less than \$1,000 per offense and shall not exceed \$5,000 per offense for individuals or \$10,000 per offense for firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.
2. Individuals and firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.

### **512.C. Hearings and Appeals**

If the Chief Regulatory Officer or his designee determines that evidence submitted by an individual or firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the individual or firm may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Exchange staff's discretion;
2. In excess of the Exchange staff's authority or jurisdiction; or
3. Based on a clearly erroneous application of Exchange rules.

Notwithstanding the provisions of Sections B.1. and B.2. above, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Chief Regulatory Officer for consideration of charges.

## **852. SURCHARGES FOR ERRORS, DELAYS AND OMISSIONS**

Exchange staff may establish, and from time to time revise, schedules of surcharges to be imposed upon clearing members for errors, delays and omissions with respect to trade data and certain other information required to be provided to the Clearing House. These surcharges are to be collected by the Clearing House and are in addition to any disciplinary sanctions that may be imposed by Market Regulation, the BCC or CHRC for the violation of Exchange rules.

Questions regarding this Advisory Notice may be directed to one of the following individuals in the Market Regulation Department:

Erin Middleton, Manager, Rules & Regulatory Outreach, at 312.341.3286

Robert Sniegowski, Executive Director, Rules & Regulatory Outreach, at 312.341.5991

For media inquiries concerning this Market Regulation Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com)



## MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Wash Trades Prohibited</b>
<b>Rule References</b>	<b>Rule 534</b>
<b>Advisory Date</b>	<b>September 2, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2008-5</b>
<b>Effective Date</b>	<b>September 17, 2020</b>

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1905-5 from April 11, 2019. It is being issued to amend Q&A 12 to eliminate a reference to a legacy front-end audit trail tag and its associated number in connection with the migration from iLink2 to iLink 3, a new order entry protocol for trading futures and options markets on the CME Globex electronic trading platform.

No substantive information in this Advisory Notice has been amended.

Rule 534, set forth below, has not changed, and this Advisory Notice is being issued to provide updated guidance regarding compliance with Rule 534. Member firms are strongly encouraged to ensure that all firm employees and customers are fully informed regarding Rule 534 and the guidance in this Advisory Notice.

### **Rule 534 (“Wash Trades Prohibited”)**

No person shall place or accept buy and sell orders in the same product and expiration month, and, for a put or call option, the same strike price, where the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash trades or wash sales). Buy and sell orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no person shall knowingly execute or accommodate the execution of such orders by direct or indirect means.

Questions regarding this Advisory Notice may be directed to the following individuals in Market Regulation:

Erin Middleton, Manager, Rules & Regulatory Outreach, 312.341.3286

Robert Sniegowski, Executive Director, Rules & Regulatory Outreach, 312.341.5991

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434.

### **Frequently Asked Questions (“FAQ”) Related to Rule 534 (“Wash Trades Prohibited”)**

**Q1: What is the definition of a wash trade?**

**A1:** A wash trade is a form of fictitious trade in which a transaction or a series of transactions give the appearance that bona fide purchases and sales have been made, but where the trades have

been entered into without the intent to take a bona fide market position or without the intent to execute bona fide transactions subject to market risk or price competition. Parties who initiate, execute or accommodate transactions which they know, or reasonably should know, will achieve a wash result shall be in violation of Rule 534.

A wash trade requires:

- a) that the transaction or series of transactions produces a wash result - meaning the purchase and sale of the same instrument at the same price, or a similar price, for accounts with the same beneficial ownership or for accounts with common beneficial ownership; and
- b) that the party(ies) intended to achieve a wash result. Intent may be inferred from evidence of prearrangement or from evidence that the orders or trade(s) were structured, entered or executed in a manner that the party(ies) knew, or reasonably should have known, would produce a wash result.

The prearrangement, execution or structuring of transactions in CME Group markets with the intent of negating market risk, independent of whether such transactions are entered and/or executed in compliance with other rules which permit prearrangement such as Rule 539.C. ("Pre-Execution Communications Regarding Globex Trades") may be deemed to violate Rule 534.

**Q2: What does it mean to have accounts "with the same beneficial ownership" or "with common beneficial ownership" in the context of Rule 534's prohibition on wash trades?**

A2: Accounts with the "same beneficial ownership" include accounts with identical ownership as well as accounts of different entities that are 100% wholly-owned by the same parent.

"Common beneficial ownership" is more inclusive and includes not only accounts with the same beneficial ownership, but also accounts with common beneficial ownership that is less than 100%.

**Q3: May a market participant place, accept or execute simultaneous buy and sell orders for accounts with common beneficial ownership in the same product and expiration month, or option series?**

A3: Any market participant who places or accepts buy and sell orders for simultaneous execution that are for accounts with common beneficial ownership, and any market participant who executes such orders, will be in violation of Rule 534 if the execution of the orders yields a wash result and the party knew, or reasonably should have known, that the trades were entered into without the intent to execute bona fide transactions subject to market risk or price competition.

**Q4: When receiving simultaneous buy and sell orders placed by another party, does the market participant receiving the orders have any independent obligation to determine whether the orders are bona fide?**

A4: Yes. The CFTC has held (see, for example, *In the Matter of Three Eight Corporation*) that market participants, including account executives and floor brokers, who accept simultaneous buy and sell orders for execution have an independent "duty to inquire" about the propriety of such orders. In the absence of such inquiry, the market participant accepting the orders may be found to have engaged in wash trades if the execution of the orders produces a wash result.

Market participants receiving simultaneous buy and sell orders for execution must make inquiry sufficient to ascertain whether the orders are for accounts with common beneficial ownership. If the buy and sell orders are for an omnibus account, the market participant has a duty to inquire as to whether the orders are for different account owners within the omnibus account.

If a market participant cannot assure himself that buy and sell orders received for simultaneous execution are for accounts that do not have common beneficial ownership, the market participant may refuse to accept the orders. Accepting or executing simultaneous buy and sell orders without such assurance creates potential regulatory exposure if the execution of the orders yields a wash result.

**Q5: In the event buy and sell orders for accounts with common beneficial ownership are simultaneously entered for a legitimate purpose, how should such orders be executed to comply with Rule 534?**

A5: In the electronic venue, one of the orders should be entered on the electronic trading platform and executed in full prior to the entry of the second order. This will ensure that the orders are not executed opposite each other and will provide a clear audit trail with respect to the entry and execution of the orders. In this circumstance, a written and timestamped record must be made of any order that is not entered on the electronic platform immediately upon receipt.

In the open outcry venue, the buy and sell orders should be timestamped immediately upon receipt. One of the orders should be entered into the pit, executed and timestamped out prior to submitting the second order to the pit for execution. The second order should be timestamped again when it is submitted to the pit. This methodology will ensure that the orders are not executed opposite each other and the accurate timestamping will provide evidence that the orders were not entered for simultaneous execution.

In either the electronic or open outcry venue, simply ensuring that there is a delay between the entry of the buy and sell orders may not, depending on the terms of the orders, preclude the orders from trading in whole or in part against each other. To the extent that the orders trade opposite each other either directly or indirectly through a common third party, the trade may be deemed an illegal wash trade notwithstanding the fact that the orders were entered at different times.

Additionally, in certain circumstances, simultaneous buy and sell orders for accounts with common beneficial ownership that are contemporaneously executed at nearly the same price, rather than at precisely the same price, may violate the prohibition on wash trades if it is demonstrated that the orders were structured to negate market risk, for example, by requiring that the price difference between the two orders be strictly limited.

**Q6: Is it acceptable to contemporaneously enter buy and sell orders for accounts with common beneficial ownership if the buy and sell orders are given to different FCMs or to different floor brokers for execution?**

A6: The potential for regulatory exposure in this situation is significant. If the orders trade against each other in whole or in part, or if both orders are executed opposite the same third party, an inference may be drawn that orders were structured with the intent to execute a prohibited wash trade. The fact that the orders were competitively executed without prearrangement may not protect the party entering the orders from liability if the execution of the orders produces a wash result.

**Q7: Is it acceptable to enter simultaneous buy and the sell orders for accounts with common beneficial ownership for execution on a discretionary (“DRT”) basis?**

A7: The entry of simultaneous buy and sell orders for accounts with common beneficial ownership that are entered with instructions giving the executing party discretion over the price and/or time of execution may be viewed, depending on the circumstances, as an implicit request to the executing party to negate market risk. Should the execution of the orders produce a wash result,

the parties placing, accepting and executing the orders may be liable for having engaged in an illegal wash trade.

**Q8: Are market participants permitted to “freshen” position dates (i.e. liquidating and re-establishing a position) without violating the prohibition on wash trades?**

A8: In those products settled via physical delivery against the oldest open long position, CME and CBOT Rule 807 (“Open Long Positions During the Delivery Month”) allow for the intraday freshening of position dates. However, trades executed to liquidate and re-establish a position in order to freshen the position’s date must be competitively executed and must be clearly independent transactions subject to market risk. Purchases and sales to freshen a position date that are prearranged or otherwise executed pursuant to an express or implied agreement will be deemed to violate the prohibition on wash trades.

**Q9: Do block trades between different accounts with common beneficial ownership violate the wash trading prohibition?**

A9: Block trades between different accounts with **common beneficial ownership** are prohibited unless:

- a) each party’s decision to enter into the block trade is made by an independent decision-maker;
- b) each party has a legal and independent bona fide business purpose for engaging in the block trade; and
- c) the block trade is executed at a fair and reasonable price.

In the absence of satisfying all of the aforementioned requirements, the transaction may constitute an illegal wash trade prohibited by Rule 534.

**Q10: If buy and sell orders for accounts with common beneficial ownership are independently initiated by independent decision makers and coincidentally cross in the market, will the trade violate the wash trade prohibition?**

A10: Buy and sell orders for accounts with common beneficial ownership that are independently initiated for legitimate and separate business purposes by independent decision makers and which coincidentally cross with each other in the competitive market are not considered wash trades provided that the trade was not prearranged and neither party had knowledge of the other’s order or otherwise intended for their order to trade against the other’s order. Market participants should be aware, however, that trades between accounts with common beneficial ownership may draw additional regulatory scrutiny and should be prepared to demonstrate that such trades are bona fide. (See also Q12, Q13 and Q14.)

**Q11: Under what circumstances does trading opposite one’s own order on the electronic platform violate Rule 534?**

A11: It is a violation of Rule 534 for an individual to enter an order on the electronic platform that the individual knew or reasonably should have known would trade against his own order resting on the opposite side of the market. The unintentional and incidental matching of buy and sell orders entered by an individual trader on the electronic platform generally will not be considered a violation of Rule 534. However, if such self-matching occurs on more than an incidental basis in the context of the trader’s activity or in the context of the particular market’s activity, such trades may be deemed to violate the prohibition on wash trades.

It is recommended that individual traders who frequently enter orders on opposing sides of the market that have a tendency to self-match on more than an incidental basis employ functionality that will minimize the potential for their buy and sell orders to match with each other. When employed, CME Group's optional self-match prevention ("SMP") functionality automatically blocks the matching of buy and sell orders for commonly owned accounts that are submitted to Globex with the same SMP ID. Should you have any questions on the registration or operation of [CME Group's SMP functionality](#), please contact CME Global Account Management in the U.S. at (312) 634-8700, in Europe at 44 203 379 3754, or in Asia at 65 6593 5574.

**Q12: Is it a violation of Rule 534 if independently initiated orders originating from different proprietary traders within the same firm match against each other?**

A12: It is recognized that many firms have proprietary trading operations in which multiple traders making fully independent trading decisions enter orders for a commonly owned account (the firm's proprietary account) that may unintentionally and coincidentally match with each other on the electronic platform. Provided that the respective orders of each independent trader are entered in good faith for the purpose of executing bona fide transactions, are entered without prearrangement, and are entered without the knowledge of the other trader's order, then such trades shall not be considered to violate the prohibition on wash trades.

Similarly, orders generated by algorithms operated and controlled by fully independent traders in different trading groups that unintentionally and coincidentally match with each other will not be considered to be wash trades provided that the orders are initiated in good faith for the purpose of executing bona fide transactions, that the algorithms operate independently of one another, and that the respective trading groups do not have knowledge of one another's orders.

Firms have an obligation to supervise the trading by their employees and algorithms, must be able to demonstrate the independence of the traders/trading groups/algorithms, and should have and enforce policies and procedures that preclude the traders from having access to or knowledge of one another's orders.

Additionally, the operator ID that is tied to the individual or team of individuals (ATS Team) responsible for the entry of the orders must be uniquely identified in accordance with Rule 576 ("Identification of Globex Terminal Operators") and associated Market Regulation Advisory Notices.

**Q13: Is it a violation of Rule 534 if orders initiated by one or more automated trading systems that are operated and/or controlled by the same individual or the same trading group match against each other?**

A13: If a particular algorithm generates buy and sell orders that would potentially match against each other and such trades occur on more than an incidental basis in the context of the algorithm's activity or in the context of the particular market's activity, the trades may be deemed to violate the prohibition on wash trades. It is recommended in this circumstance that the party(ies) responsible for the operation of the algorithm employ functionality that will minimize the potential for the algorithm's buy and sell orders to match with each other.

If otherwise independent algorithms are operated and/or controlled by the same individual or team of individuals and the algorithms trade against one another on more than an incidental basis in the context of the algorithms' activity or the particular market's activity, then the trading between the algorithms may be deemed to violate the prohibition on wash trades. Where multiple algorithms operated or controlled by the same individual or team of individuals may generate self-match events on more than an incidental basis, it is recommended that the individual or team employ functionality to minimize or eliminate such occurrences.

**Q14: Are there unique considerations with respect to Rule 534 in the context of exchange-sponsored volume incentive programs?**

A14: Market participants who participate in exchange-sponsored programs with incentives tied in whole or in part to meeting specific volume thresholds should take proactive steps to prevent transactions between accounts with common beneficial ownership. These trades will draw additional regulatory scrutiny and it is recommended that participants in these types of incentive programs employ functionality to mitigate the potential for such trades to occur.

**Q15: In circumstances where “more than incidental” self-matching may be deemed to violate the prohibition on wash trades, is there a prescribed threshold?**

A15: In these circumstances, market participants are responsible for monitoring their trading, whether that trading is manual or automated, and are responsible for minimizing the potential for, and the occurrence of, self-match events.

The incidence of self-matching in these circumstances will be evaluated in the context of the activity of the trader, trading group, or algorithm(s), and relative to the trades and volume in the instrument traded. More than de minimis self-matching in this context will result in additional regulatory scrutiny and may be deemed to violate the prohibition on wash trades; if there is the potential for more than de minimis self-match events, market participants are expected to either adjust their trading strategies or employ functionality to mitigate the occurrence of self-match events.

**Q16: Is the use of CME Group’s Self-Match Prevention functionality mandatory?**

A16: Use of CME Group’s SMP functionality is optional. Each firm has the flexibility to tailor its application of the functionality and its use of SMP IDs in ways that are suitable for its particular business model and trading strategies. Contact CME Global Account Management for more information regarding SMP ID configuration. CME Group SMP frequently asked questions and answers can be found here: <http://www.cmegroup.com/globex/trade-on-cme-globex/self-match-faq.html>

Market participants are reminded, however, that the rules of all CME Group Exchanges, as well as the Commodity Exchange Act, prohibit illegal wash trades. Firms and market participants should carefully review their operations and the guidance in this Advisory Notice, and, where appropriate, take steps necessary to minimize the potential for such trades either through the use of SMP functionality or by alternative means.

**Q17: Does employing CME Group Self-Match Prevention functionality prevent all potential self-match events?**

A17: CME Group’s SMP functionality will not prevent self-matches in markets operating with implied spread functionality if the trade involves an implied order. Absent evidence to the contrary, self-match events involving implied orders will be deemed unintentional by the CME Group Exchanges. Additionally, CME Group’s SMP functionality does not operate during the Globex pre-open nor does it prevent self-matches of orders entered during the pre-open state when the market opens.

**Q18: Is it a violation of Rule 534 if resting orders in the order book entered during the Globex pre-open match opposite one another once the market opens?**

A18: Please see the [CME Group Market Regulation Advisory Notice on order entry during the CME Globex pre-open period](#).

**Q19: What is an indirect wash trade?**

A19: One or more purchases (sales) opposite a counterparty followed by a sale (purchase) at the same or similar price opposite the same or different counterparties may be deemed an “indirect wash trade” in violation of Rule 534 if the orders are entered with the intent to negate or strictly limit market risk. Such intent exists if the party knew or should have known that the orders would negate or strictly limit market risk. Additionally, no person is permitted to accept, execute or accommodate the execution of such orders with knowledge of their character. For additional information on indirect wash trades, please see the examples following the answer to FAQ 21 at the end of this Advisory Notice.

**Q20: Does an indirect wash trade have to be prearranged in order to constitute a violation of Rule 534?**

A20: No. An indirect wash trade does not require prearrangement to constitute a violation of Rule 534 if the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk.

**Q21: What are serial indirect wash trades and do such trades violate Rule 534?**

A21: A series of trades executed among a group of market participants where order entry and trade activity is concentrated in discrete and limited periods of time may be deemed “serial indirect wash transactions” in violation of Rule 534 to the extent that the parties know or reasonably should know that the purpose of the trades is to avoid taking a bona fide market position exposed to market risk.

#### **Examples of Prohibited Indirect Wash Activity**

- Participant A and B hold open long positions in the same physically deliverable commodity in the delivery month where delivery takes place against the oldest open long position. To reduce the risk of being stopped for delivery, Participant A and B pre-arrange the execution of transactions that have the effect of offsetting and re-establishing one or both of their long positions, thus freshening the position dates. For example, in an initial transaction, Participants A and B knowingly trade opposite each other in the market. In a subsequent transaction, typically close in time to the initial transaction, Participants A and B knowingly execute an offsetting transaction opposite each other at or near the same price as the initial transaction. In this transaction set, the sells had the effect of offsetting the pre-existing long positions and the buys had the effect of re-establishing the long positions with newer position dates. Due to the manner in which the transactions were orchestrated, Participants A and B negated or strictly limited market risk. This set of transactions constitutes an indirect wash in violation of Rule 534.
- Participants A, B, and C participate in an incentive or rebate program where terms or conditions of the program require each participant to meet a volume threshold (e.g. average daily volume; monthly volume; passively traded volume; etc.). *With or without pre-arrangement*, Participants A, B, and/or C execute a series of transactions, typically in close time proximity, where they buy and sell similar quantities at the same or similar prices opposite each other and where, at the conclusion of the transaction series, the participants had no net change in position. Based on factors including, but not limited to, prior trading activity, market circumstances, market knowledge, or prearrangement the participants know or have reason to know the transactions would not be exposed to price competition or the positions exposed to market risk. Transactions executed for the purpose of increasing volume, while knowing or having reason to know the transactions would not be exposed to price competition or the positions exposed to market risk, are considered indirect wash trades in violation of Rule 534.

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME, CBOT, NYMEX, COMEX
Subject	Order Routing/Front-End Audit Trail Requirements
Rule References	Rule 536.B.
Advisory Date	September 2, 2020
Advisory Number	CME Group RA2009-5
Effective Date	September 17, 2020

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1913-5 from December 17, 2020. It is being issued based on amendments to Rule 536.B. (“Globex Order Entry”) in connection with the migration from iLink 2 to iLink 3.

No substantive information in this Advisory Notice has been amended.

CME, CBOT, NYMEX and COMEX Rule 536.B.2. (“Globex Order Entry – Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems”) requires that the electronic audit trail associated with any system that accesses the CME Globex platform through the CME iLink® gateway contain a complete and accurate record of all activity through that connection, and account for every electronic communication by the order routing or front-end system from the time such order routing or front-end system receives or generates an electronic communication until it is communicated to CME Globex. Further, the Rule requires that CMFs guaranteeing a connection to CME Globex are responsible for maintaining, or causing to be maintained, the electronic audit trail for a minimum of 5 years.

Firms responsible for the order routing/front-end audit trail of a trading system that accesses CME Globex through the CME iLink® gateway must have the ability to display data in the required format. Exchange Drop Copy messages or files do not meet the requirements of Rule 536.B.2., as Drop Copy only reflects an Exchange-level audit trail and will not include information internal to the firm’s system. Further, the connected entity must ensure that **all trading functionality supported by the system** is appropriately reflected in the audit trail. For the convenience of those responsible for such order routing or front-end systems, the Exchanges have updated the [CME Group Client Systems Wiki](#) with the new data definitions, required format, and validation rules applied through the certification process of the minimum acceptable audit trail elements that such systems must capture.

CME Group Market Regulation performs annual reviews of order routing/front-end audit trails to validate that certified systems capture data in accordance with the minimum acceptable audit trail elements.

### Responsibility for Preserving Audit Trails

CMFs guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the order routing/front-end system audit trail for all electronic orders (except in the circumstance below where the CMF’s client is another CMF or an Equity Member Firm), including order entry, modification, cancellation, and responses to such messages (referred to as the “electronic audit trail”), entered into the Globex platform through the CME iLink® gateway. While CMFs are responsible for this audit trail, many firms outsource the preservation of the audit trail to a vendor, or require that their directly connected clients bear the cost of maintaining this data.

In the case where the Guaranteeing CMF has a direct connect client that is another CMF or an Equity Member Firm, the Guaranteeing CMF may notify the client CMF or Equity Member Firm that it is their



obligation to maintain the audit trail. Upon execution of a written notice, it shall be the duty of the client CMF or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. When a new connection is made to CME Globex, connecting entities must provide a sample audit trail report from the test/certification environment before the system accesses the live environment. Shortly after the new system is deployed in the live environment, the connecting entity or the clearing firm is required to provide the Market Regulation Department with a full production audit trail report. The purpose of this review is to verify that the connecting entity's audit trail meets the minimum data requirements, and that it can be produced in a standard human readable format. Questions regarding the submission of sample or production audit trail reports should be sent to [AuditTrail@CMEGroup.com](mailto:AuditTrail@CMEGroup.com).

The text of CME, CBOT, NYMEX and COMEX Rule 536.B. appears below.

### **536.B. Globex Order Entry**

#### **1. General Requirement**

Each Globex Terminal Operator entering orders into Globex shall accurately input for each [Application Message](#) all fields required to be populated by the CME iLink® Message Specifications set forth in the [CME Group Client Systems Wiki](#) in effect at the time, including, but not limited to the: operator ID; price; quantity; product; expiration month; CTI code; manual order indicator; and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Terminal Operator's operator ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex Terminal Operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Terminal Operator's compliance with this rule with respect to the following fields: operator ID, CTI code, manual order indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Terminal Operator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Terminal Operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Terminal Operator receives an order which cannot be immediately entered into Globex, the Globex Terminal Operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

#### **2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for causing an audit trail of each message entered into Globex to be created. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all required information and fields which include, but not limited to, the following:

a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, operator ID, manual order indicator, self-match prevention ID where applicable, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulation 1.31 or 1.35.

Questions regarding this Advisory Notice may be directed to the following individuals in Market Regulation:

Maricela George, Senior Data Investigator, 312.435.3614

Terry Quinn, Manager, 312.435.3753

Laetizia Moreau, Senior Director, 312.435.3619

For media inquiries concerning this Market Regulation Advisory Notice please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).

# MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Manual/Automated Trading Indicator (FIX Tag 1028)</b>
<b>Rule References</b>	<b>Rule 536.B.</b>
<b>Advisory Date</b>	<b>September 2, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2010-5</b>
<b>Effective Date</b>	<b>September 17, 2020</b>

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1914-5 from December 17, 2020. It is being issued based on amendments to Rule 536.B. (“Globex Order Entry”) in connection with the migration from iLink 2 to iLink 3. Additionally, the FAQ section is being amended to eliminate to references to legacy tags and their associated numbers and replace them with their titles.

No substantive information in this Advisory Notice has been amended.

## **536.B. Globex Order Entry**

### **1. General Requirement**

Each Globex terminal operator entering orders into Globex shall accurately input for each [Application Message](#) all fields required to be populated by the CME iLink® Message Specifications set forth in the [CME Group Client Systems Wiki](#) in effect at the time, including, but not limited to the: operator ID; price; quantity; product; expiration month; CTI code; automated or manual indicator; and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Terminal Operator’s operator ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex Terminal Operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Terminal Operator’s compliance with this rule with respect to the following fields: operator ID, CTI code, automated or manual indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Terminal Operator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Terminal Operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Terminal Operator receives an order which cannot be immediately entered into Globex, the Globex Terminal Operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

### **2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for causing an audit trail of each message entered into Globex to be created. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation. Each such electronic audit trail must be complete and accurate and account for every electronic communication such system sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all required information and fields which include, but not limited to, the following:

a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, operator ID, automated or manual indicator, self-match prevention ID where

applicable, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulation 1.31 or 1.35.

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## **FAQ Related to the Manual Order Indicator**

### **1. What is the manual order indicator?**

The manual order indicator is a data field that is required on all order submissions to CME Globex to indicate whether a particular order is being submitted by manual or automated means. This has been a required data element on CME iLink interface order submissions since June 2011 and is now being added as a regulatory requirement.

### **2. What specific values must be submitted in the manual order indicator?**

The message specifications can be found in the Client System Wiki:

[iLink 2 Message Specifications](#)

[iLink 3 Message Specifications](#)

### **3. What is the definition of automated order entry?**

Automated order entry refers to orders that are generated and/or routed without human intervention. This includes any order generated by a computer system as well as orders that are routed using functionality that manages order submission through automated means (i.e. execution algorithm).

### **4. What is the definition of manual order entry?**

Manual order entry refers to orders that are submitted to CME Globex by an individual directly entering the order into a front-end system, typically via keyboard, mouse or touch screen, and which is routed in its entirety to the match engine at the time of submission.

### **5. May an Automated Trading System (“ATS”) team operator ID send in both manual and automated orders?**

No, ATS teams may send in only automated orders. All manually-entered orders must identify the operator ID of the specific person who entered the order.

### **6. If an individual who is trading manually also uses automated spreading functionality that automates the entry of some orders, should the orders be designated as manual or automated?**

The manually entered orders must be properly identified as manual and the orders generated by automated means, including via automated spreading functionality, must be properly identified as automated as described in the Client Systems Wiki.

### **7. If a person manually enters an order into his front-end system which employs functionality that manages the submission of the order(s) to the CME Globex match engine, should the order(s) be designated as manual or automated?**

The orders should be designated as automated because the execution algorithm is generating the entry of the orders to the CME Globex match engine.

**8. Does the front-end audit trail of the system used to enter orders into CME Globex need to record the manual order indicator values submitted for each order?**

Yes. The information in manual order indicator required to be captured and accurately recorded in the front-end audit trail.

**9. What is a clearing firm's responsibility with regard to manual order indicator?**

Clearing firms are expected to ensure that they communicate this requirement to their customer authorized users, and to verify with the client that the manual order indicator is being correctly populated.

Questions regarding this Advisory Notice may be directed to the following individuals in Market Regulation:

Betsy Schneider, Manager, Data Investigations, at 312.341.3343

Andrew Carr, Lead Data Investigator, at 312.435.3610

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).

## MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Documentation of Customer Orders and Submission of Suspense Accounts on CME Globex</b>
<b>Rule References</b>	<b>Rule 536</b>
<b>Advisory Date</b>	<b>September 2, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2011-5</b>
<b>Effective Date</b>	<b>September 17, 2020</b>

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1912-5 from December 17, 2019. It is being issued based on amendments to Rule 536.B. (“Globex Order Entry”) in connection with the migration from iLink 2 to iLink 3.

No substantive information in this Advisory Notice has been amended.

Since October 1, 2018, this Advisory Notice has set forth the circumstances under which a suspense account may be submitted on orders entered into CME Globex (“Globex”) and the requirements attendant to proper documentation of such orders. For purposes of this Advisory Notice, a suspense account means a temporary holding account that is submitted at the time of order entry into Globex but prior to the allocation of the executions to the specific accounts on a carrying Clearing Member Firm’s books.

No other material changes have been made to the Advisory Notice.

The text of Rule 536.B. (“Globex Order Entry”) and Rule 536.C. (“Bunched Orders and Orders Eligible for Post Execution Allocation”) which are, in part, applicable to the use of suspense accounts, begins on page 5. A Frequently Asked Questions (“FAQ”) section begins on page 8.

This MRAN does not apply to 1) the entry of block trades and Exchange for Related Position Transactions (“EFRPs”) submitted via CME ClearPort/CME Direct and 2) trades executed via open outcry in a trading pit.

### **Entry of Suspense Accounts into Globex**

The Exchanges recognize the following five circumstances where a suspense account may be used at the time of order entry into Globex, subject to the requirements and limitations set forth in this Advisory Notice:

- Orders entered by or on behalf of an Eligible Account Manager (“EAM”) that has written investment discretion over the accounts of customer(s) (“EAM-Specific Suspense Accounts”);
- Bunched DRT orders for multiple customers where the resulting trades are subject to a written pre-determined allocation scheme (“Bunched DRT Suspense Accounts”);
- Orders subject to a written pre-determined allocation scheme (“Pre-Determined Allocation Scheme Suspense Accounts”);

- Bunched Request for Cross (“RFC”) orders (“Bunched RFC Order Suspense Accounts”); and
- *De minimis* usage for orders entered by Execution Operations (“Execution Operation Suspense Accounts”)

Unless otherwise provided below, Market Regulation will conduct examinations of Exchange Clearing Member Firms and their guaranteed introducing brokers (“IBs”) related to their usage of suspense accounts. The use of suspense accounts must comport with the requirements detailed in this Advisory Notice and such use is subject to a heightened level of regulatory scrutiny. **No other use of suspense accounts for order entry into Globex is permitted.**

### **EAM-Specific Suspense Accounts**

Persons or entities that qualify as an EAM, as defined in CFTC Regulation 1.35(b)(5)(i), with written investment discretion regarding participating customer accounts may enter orders for those customers, including bunched orders on behalf of multiple customers, into Globex using a suspense account. An EAM that has granted written investment discretion to another EAM is considered a customer of that other EAM. In all cases, the suspense account must be unique to the EAM responsible for the order entry. For purposes of this Advisory Notice, this is referred to as an “EAM-Specific Suspense Account.” Any post-execution allocation of the resulting executions must be done in compliance with CFTC Regulation 1.35(b)(5) and the National Futures Association Interpretive Notice related to National Futures Association (“NFA”) Compliance Rule 2-10, including recordkeeping requirements.

### **Bunched DRT Suspense Accounts**

A DRT order (Disregard Tape or Not-Held Order) means an order placed by an account owner or controller that gives a person complete discretion over price and time in the execution of the order, including discretion to execute all, some, or none of the order.

A person in possession of DRT orders for multiple customers may bunch those orders and enter them into Globex using a suspense account provided the following conditions are met:

1. The account owner or controller must have consented to having its orders bunched with other DRT orders and must further have consented to having its trade executions average priced with the trade executions of the other orders included in the bunched order.
2. The person bunching the DRT orders must create, prior to the entry of the bunched DRT order into Globex, a written or electronic record of each underlying customer order in accordance with Rule 536.B.1. The underlying customer order must reflect that the order was a DRT order and include an electronic timestamp reflecting the date and time the order was received and the customer-specific account designation.
3. The person bunching the DRT orders or entering the bunched DRT order into Globex must use a suspense account that specifically identifies or is unique to the person responsible for the bunching of the DRT orders. That suspense account must be used solely for bunching DRT orders.
4. Prior to the entry of a bunched order into Globex, the executing Clearing Member Firm must be provided the methodology to be used to allocate the trade executions to the customer accounts participating in the bunched DRT order. The methodology must address how trade executions should be allocated in instances where only part of the bunched DRT order is executed.
5. All trade executions for the bunched DRT orders must be averaged priced in accordance with Rule 553 (“Average Price System”) prior to the allocation of the executions to the underlying customer accounts.

6. A person bunching DRT orders must make the executing Clearing Member Firm and any carrying Clearing Member Firms aware that it is engaged in bunching DRT orders.

### **Pre-Determined Allocation Scheme Suspense Accounts**

Orders subject to a pre-determined allocation scheme may be entered into Globex using a suspense account provided the following conditions are met:

1. Each allocation scheme must use a unique suspense account. The Pre-Determined Allocation Scheme Suspense Account may not be used for orders not subject to the allocation scheme.
2. Prior to the entry of orders into Globex, the executing Clearing Member Firm must be provided the pre-determined allocation scheme to be used for the resulting trade executions.
3. Each customer or participant must consent to having their orders subjected to the pre-determined allocation scheme.
4. The executing Clearing Member Firm must maintain records of all Pre-Determined Allocation Scheme Suspense Accounts and their pre-determined allocation schemes for a minimum of five years.

### **Bunched RFC Order Suspense Accounts**

In those circumstances where order entry into Globex occurs via the submission of a Request for Cross ("RFC") (an order which contains both the buy and the sell orders) pursuant to the requirements of Exchange Rule 539.C. ("Pre-Execution Communications Regarding Globex Trades"), a broker may bunch multiple market maker orders for the purpose of satisfying the terms of a single customer order and enter the bunched market maker order using a Bunched RFC Order Suspense Account.

The Bunched RFC Order Suspense Account may not be used to represent the customer side of the RFC order. Where a Bunched RFC Order Suspense Account is used on the market maker side of the order, brokers must ensure that the market maker orders are documented in accordance with Rule 536.B.1 with specific market maker account identifiers on the order tickets. Brokers must obtain a Bunched RFC Orders Suspense Account, unique to the individual broker placing the bunched RFC orders from their Clearing Member Firm and may use that suspense account solely for purposes of entering the bunched market maker orders on one side of an RFC. Allocations to end-clients are required to be completed in the CME clearing system before the end of the clearing session for that trade date.

### **Execution Operation Suspense Accounts**

For operations that provide order execution services for customers ("Execution Operations"), orders must generally be entered into Globex using a customer-specific account number or short code on each order entry at the time of entry into Globex. Where the order is entered immediately upon receipt and the order entry includes the customer-specific account number or short code, the Execution Operation has met its order documentation requirements as defined below and as set forth in Rule 536.B.

Orders received by an Execution Operation from an EAM with discretion over the customer account(s) represented by the order must be entered into Globex using a suspense account specifically identifying or mapping to the EAM responsible for the order or using the customer-specific account number or short code.

Recognizing that on occasion a customer-specific or EAM-specific account may not be available at the time an order is entered into Globex, *de minimis* usage of an Execution Operation Suspense Account will be permitted, provided the following requirements are met.

1. If a general suspense account is used rather than a customer-specific or EAM-specific account, the Execution Operation must create, prior to order entry, a written or electronic record of the



order in accordance with Rule 536.B.1. The order must reflect the time of receipt of the order and a customer-specific or EAM-specific account designation.

2. The general suspense account must be unique to the desk or group of the Execution Operation submitting the order into Globex.

Market Regulation will conduct examinations of the usage of Execution Operation Suspense Accounts by Exchange Clearing Member Firms, their guaranteed IBs, as well as floor-based member-owned Globex Execution Operations. The examination will include a recordkeeping review to verify written or electronic records of the order are created and maintained in accordance with Rule 536.B.1.

The examination will also include a review to determine whether the Execution Operation Suspense Accounts were used on more than a *de minimis* basis. In considering whether usage was more than *de minimis*, Market Regulation will consider a variety of factors, including whether the orders and or trades were for new accounts where account information may not have been available to the Globex terminal operator.

### **Limitations Applicable to All Suspense Accounts**

Except for a Commodity Trading Advisor (“CTA”) who has permission of its customer(s), no other person or entity is allowed to enter customer orders into a suspense account that is also used for personal or proprietary orders of the party entering the order (i.e. where the resulting trades will be given-up or allocated to an account in which the party entering the order has an ownership or financial interest).

For instances where the resulting trades will be given-up from the executing firm to a carrying Clearing Member Firm, the executing firm must be a party to a written agreement with the carrying Clearing Member Firm pursuant to CFTC Regulation 1.73, where applicable.

### **Exchange Clearing Member Firm Requirements Concerning Suspense Account Records**

Exchange Clearing Member Firms are reminded of the requirement to provide, upon request from Market Regulation, records of all suspense accounts used at the firm.

The records must include the account number, the name of the party it represents, the name of the entity using it for submitting orders, the type of suspense account, and where applicable, any pre-determined allocation scheme associated with the suspense account. Additionally, if a short code is used at order entry for a customer, the Exchange Clearing Member Firm must maintain a record of the account number(s) to which the short code maps. Exchange Clearing Member Firms should maintain procedures related to the assignment, collection and preservation of records and documentation, and monitoring the use of suspense accounts. Exchange Clearing Member Firms must be able to produce these records in a standard format upon request of Market Regulation.

### **Text of CME and CBOT Rule 536.B. and Rule 536.C.**

#### **536.B. Globex Order Entry**

##### **1. General Requirement**

Each Globex Terminal Operator entering orders into Globex shall accurately input for each [Application Message](#) all fields required to be populated by the CME iLink® Message Specifications set forth in the [CME Group Client Systems Wiki](#) in effect at the time, including, but not limited to the: operator ID; price; quantity; product; expiration month; CTI code; manual order indicator; and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Terminal Operator’s operator ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex Terminal Operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Terminal Operator’s compliance with this rule with respect to the following fields: operator ID, CTI code, manual order indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Terminal Operator

has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Terminal Operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Terminal Operator receives an order which cannot be immediately entered into Globex, the Globex Terminal Operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

## **2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for causing an audit trail of each message entered into Globex to be created. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all required information and fields which include, but not limited to, the following:

a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, operator ID, manual order indicator, self-match prevention ID where applicable, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulation 1.31 or 1.35.

### **536.C. Bunched Orders and Orders Eligible for Post Execution Allocation**

Bunched orders must be allocated and recorded in accordance with CFTC Regulation 1.35(b) and the NFA's Interpretive Notice related to Compliance Rule 2-10. A bunched order for pit execution does not require the specific account number to be recorded at the time of order placement or upon the report of execution provided that 1) the order is being placed by an eligible account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme has been provided to the futures commission merchant accepting or clearing the order prior to the time the order has been placed. Additionally, at the time of receipt on the trading floor, bunched orders that do not contain specific account numbers must contain a series, group, or suspense account indicator which relates directly to the group of accounts for which the order has been placed. A bunched order may be initially cleared into a suspense account provided that the final account-specific allocations are submitted to the clearing system no later than the end of each trading day.

Bunched orders for non-discretionary accounts may be entered for pit execution; however, only the following order types may be bunched: Market on Open, Market on Close, same priced Limit Orders and same priced Stop Orders. Such non-discretionary orders may only be bunched in the following instances:

- a. Each order underlying the bunched order must be reduced to writing and include the information required pursuant to Section A.1. above;
- b. Allocation of the executions for the bunched orders must be fair and equitable in accordance with the NFA's Interpretive Notice related to Compliance Rule 2-10; and
- c. In circumstances where the order is bunched in a member firm's sales office, the party accepting the order must, contemporaneously with the order placement, transmit the individual account numbers and quantities associated with the bunched order to the clearing member firm. Such transmission shall be maintained by the clearing member firm along with the bunched order.

With respect to bunched Globex orders, such orders may be entered using a series designation or suspense account number provided that 1) the order is being placed by an eligible account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme that defines the series has been provided to the futures commission merchant accepting or clearing the order prior to the time that such order is entered. In the latter case, if such information has not been provided to the futures commission merchant prior to the time of order entry, each specific account number must be entered into Globex. Additionally, for all such

bunched orders executed on Globex, the final account specific allocations must be submitted to the clearing system no later than the end of each trading day.

## **Text of NYMEX and COMEX Rule 536.B. and Rule 536.C.**

### **536.B. Globex Order Entry**

#### **1. General Requirement**

Each Globex Terminal Operator entering orders into Globex shall accurately input for each Application Message all fields required to be populated by the CME iLink® Message Specifications set forth in the CME Group Client Systems Wiki in effect at the time, including, but not limited to the: operator ID; price; quantity; product; expiration month; CTI code; manual order indicator; and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Terminal Operator's operator ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex Terminal Operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Terminal Operator's compliance with this rule with respect to the following fields: operator ID, CTI code, manual order indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Terminal Operator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Terminal Operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Terminal Operator receives an order which cannot be immediately entered into Globex, the Globex Terminal Operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

#### **2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for causing an audit trail of each message entered into Globex to be created. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all required information and fields which include, but is not limited to the following:

a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, operator ID, manual order indicator, self-match prevention ID where applicable, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulation 1.31 or 1.35.

### **536.C. Bunched Orders and Orders Eligible for Post Execution Allocation**

Bunched orders must be allocated and recorded in accordance with CFTC Regulation 1.35(b) and the NFA's Interpretive Notice related to Compliance Rule 2-10.

With respect to bunched Globex orders, such orders may be entered using a series designation or suspense account number provided that 1) the order is being placed by an eligible account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme that defines the series has been provided to the futures commission merchant accepting or clearing the order prior to the time that such order is entered. In the latter case, if such information has not been provided to the futures commission merchant prior to the time of order entry, each specific account number must be entered into Globex. Additionally, for all such

bunched orders executed on Globex, the final account specific allocations must be submitted to the clearing system no later than the end of each trading day.

## **Frequently Asked Questions (FAQ)**

### **Documentation of Customer Orders and Submission of Suspense Accounts on CME Globex**

#### **1. What is a suspense account?**

A suspense account is a generic account used at the time of order entry into Globex to temporarily hold a trade execution that is subsequently allocated to a customer specific account. Only the following five types of suspense accounts are permitted by Market Regulation:

- EAM-Specific Suspense Accounts
- Bunched DRT Suspense Accounts
- Pre-Determined Allocation Scheme Suspense Accounts
- Bunched RFC Order Suspense Accounts
- Execution Operation Suspense Accounts

In all other circumstances, a customer-specific account number must be used at the time of order entry into Globex.

#### **2. What is a short code?**

A short code is a customer-specific identifier used at order entry in lieu of the actual customer account number. A customer-specific short code is not considered a suspense account. If a unique customer-specific short code is used at order entry and the order is entered into Globex immediately upon receipt from the customer, the executing entity has met its order documentation requirements. If the order is not immediately entered upon receipt, a timestamped order ticket must be generated and maintained pursuant to Rule 536.B.1.

#### **3. Who qualifies as an Eligible Account Manager (“EAM”) for purposes of using an EAM-Specific Suspense Account?**

Those individuals and entities qualifying as an Eligible Account Manager (“EAM”) pursuant to CFTC Regulation 1.35.

#### **4. What type of information must be maintained with respect to the use of suspense accounts?**

Exchange Clearing Member Firms should be able to produce records for any order entry into Globex using a suspense account for up to five years, with records for the most recent four months of activity readily available. Firms must have the ability to produce the following records in a standard format upon request from Market Regulation:

- Type of suspense account
- Suspense account number
- Name/description of executing party authorized to use the suspense account:
  - Associated National Futures Association (“NFA”) ID and/or US Securities and Exchange Commission (“SEC”) #, if any
  - EAM Type, if any
- Name/description of party represented by the suspense account
  - Associated NFA ID and/or SEC #, if any; and
  - EAM Type, if any

- Where applicable, any pre-determined allocation scheme associated with the suspense account.

Market Regulation will conduct examinations of Exchange Clearing Member Firms and their guaranteed introducing brokers for their compliance with this rule.

**5. What are the recordkeeping requirements for Execution Operation Suspense Account usage?**

For orders entered into Globex using an Execution Operation Suspense Account, a written or electronic record must be created or captured prior to order entry. Documentation of such orders may include any of the following records: written order tickets, instant messages, recorded phone calls, or emails.

It is important to note that such records must contain the time the order was received as well as an account identifier which represents the customer that originated the order. Upon examination, it should be clear to Market Regulation when the order was received and who originated the order.

**6. How should a DRT order be documented by a party using a Bunched DRT Suspense Account?**

Each underlying order of a bunched DRT order must have a designation of "DRT." Parties may write "DRT" on an order ticket, communicate the order is "DRT" on electronic communications including an email or instant message, or verbally confirm "DRT" on a recorded phone line.

**7. What is a Letter of Direction ("LOD"), and may a firm use a suspense account for the entry of multiple orders executed pursuant to LODs?**

A LOD is typically an authorization from a customer granting limited power of attorney and discretion to a broker or futures commission merchant ("FCM") to enter orders in accordance with signals and/or recommendations generated by a trading system developed by the customer or licensed or purchased from a third party by the customer. To the extent the person or entity entering the orders generated by such system(s) is an EAM, an EAM-Specific Suspense Account may be used at order entry, including instances where the EAM bunches orders on behalf of multiple customers. If the person or entity entering the orders generated by such system(s) is not an EAM and intends to bunch orders from multiple customers, all requirements for Bunched DRT Orders must be satisfied.

**8. What is a Pre-Determined Allocation Scheme?**

A Pre-Determined Allocation Scheme is a detailed description of how order executions should be allocated to underlying customer accounts. The scheme should contain the identity or account number of each underlying customer, the quantity to be allocated, and the method of allocation in the event of a partial fill. Executing Clearing Member Firms must be provided with such details prior to entering orders into a Pre-Determined Allocation Scheme Suspense Account, and the allocations should not deviate from the scheme without the executing Clearing Member Firm being notified of the changes to the scheme prior to the time the orders are entered into Globex.

**9. May an execution operation use an Execution Operation Suspense Account when entering orders into Globex where the customer is an EAM?**

Generally, the firm must use a customer-specific account number or an account number that represents the EAM utilizing the services of the execution operation. Recognizing that on occasion a customer-specific or EAM-specific account number may not be available at the time an order is entered into Globex, an Execution Operation Suspense Account may be used on a de minimis basis for entry of such orders into Globex.

**10. At what entity level is the usage of Execution Operation Suspense Accounts measured in order to ensure it remains de minimis?**

The usage of Execution Operation Suspense Accounts will be measured at the executing level. The executing level may be the NFA registered entity utilizing the suspense account or individual members utilizing the suspense account while acting as an execution operation. Affiliates of Exchange Clearing Member Firms registered under separate NFA IDs will be measured separately.

**11. May orders for the personal trading accounts of an employee of an execution operation be entered using an Execution Operation Suspense Account?**

No. The employees or agents of an execution operation may not enter orders for their own trading accounts or the trading accounts of any other execution operation employee or agent into Globex using an Execution Operation Suspense Account.

**12. What types of violations regarding the use of suspense accounts will Market Regulation seek to identify?**

Market Regulation's review of suspense accounts usage will be focused on, but not limited to, identifying the following types of violations:

- **All Suspense Accounts**
  - Failure to maintain or adhere to firm procedures
  - Failure to maintain records of suspense accounts used by the firm
  - Failure to identify a suspense account
  - Violation of personal trading restrictions
  
- **Bunched DRT Suspense Accounts**
  - Improper Use:
    - Bunching customer orders without customer consent
    - Executing non-bunched orders
  - Missing required documentation
  - Inaccurate Documentation:
    - Missing time of receipt indication
    - Time of receipt indication after order entry
    - Missing or invalid customer-specific account designation
    - Missing "DRT" designation
  - Failure to provide the executing Clearing Member Firm, prior to the entry of a bunched order into Globex, the methodology to be used to allocate the trade executions to the customers participating in the bunched order.
  - Failure to average price the order(s) prior to the allocation to underlying customer accounts.
  
- **Pre-Determined Allocation Scheme Suspense Accounts**
  - Improper Use:
    - Used for multiple schemes or orders that are not a part of the scheme
    - Subjecting customer orders to a pre-determined allocation scheme without consent.
  - Failure to provide the executing firm, prior to order entry, with the pre-determined allocation scheme.
  - Failure to maintain records of schemes for a minimum of 5 years.
  
- **Bunched RFC Order Suspense Accounts**

- Improper Use:
  - Used to represent the customer side of an RFC order.
  - Used for non-RFC orders
- Missing required documentation
- Inaccurate Documentation:
  - Missing time of receipt indication
  - Time of receipt indication after order entry
  - Missing or invalid customer-specific account designation
  - Missing or invalid market maker identifiers
- **Execution Operation Suspend Accounts**
  - Improper Use:
    - Exceeding de minimis usage
    - Violating personal trading restrictions
  - Missing required supporting documentation
  - Inaccurate documentation
    - Missing time of receipt indication
    - Time of receipt indication after order entry
    - Missing or invalid customer-specific account designation

Questions regarding this Advisory Notice may be directed to the following individuals in Market Regulation:

Terrence Quinn, Manager, Data Investigations, 312.435.3753

Laetizia Moreau, Senior Director, Data Investigations, 312.435.3619

Andrew Carr, Senior Data Investigator, Data Investigations, 312.435.3610

Erin Middleton, Manager, Rules & Regulatory Outreach, 312.341.3286

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434.

## MARKET REGULATION ADVISORY NOTICE

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<b>Exchanges</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>CME Globex Operator ID Requirements</b>
<b>Rule References</b>	<b>Rule 576</b>
<b>Advisory Date</b>	<b>September 2, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2012-5</b>
<b>Effective Date</b>	<b>September 17, 2020</b>

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1902-5 from March 7, 2019. It is being issued to harmonize references to Globex Terminal Operators and the way that such parties are to be identified to the Exchange by replacing references to Tag 50 IDs with “operator ID.”

No other material changes have been made to the Advisory Notice.

Rule 576 (“Identification of Globex Terminal Operators”) requires that each Globex Terminal Operator be identified to the Exchanges by the submission of a unique operator ID. For CME iLink, operator IDs are issued by an Exchange Clearing Member firm (“Clearing Member”) or their contracted vendors or assignees, or in some circumstances, by the CME Group Global Command Center (“GCC”).

Clearing Members are responsible for ensuring that all operator IDs are unique at the Clearing Member level and that all non-administrative messages (“messages”), inclusive of orders, sent to Globex are properly submitted with the correct operator ID. operator IDs are not case sensitive and Clearing Members must ensure that uniqueness is achieved by means other than solely modifying the letter case between different operator IDs (For example, “ABC” and “abc” would be viewed as the same operator ID). Further, all operator IDs must be between 2 and 18 bytes (characters) in length, and the Market Regulation Department (“Market Regulation”) strongly encourages the use of alphanumeric characters only. If the operator ID contains non-alphanumeric characters, the only characters permitted are as follows:

- \_ underscore
- dash
- : colon
- @ (commercial) at
- . period

With respect to accounts that are carried by Clearing Members on a disclosed basis, Clearing Members must provide the identity of the “Individual” or “Team” assigned to each operator ID associated with the Clearing Member immediately upon request by Market Regulation. Clearing Members must maintain or cause to be maintained historical records related to the identity of the “Individual” or “Team” assigned to each operator ID for a minimum of five years.

With respect to omnibus accounts that are carried by a Clearing Member on an undisclosed basis, Clearing Members must be able to either obtain and provide the identity or require the omnibus account to obtain and provide the identity of the “Individual” or “Team” assigned to each operator ID within the undisclosed omnibus account immediately upon request by Market Regulation. Clearing Members must maintain or cause to be maintained historical records related to the “Individual” or “Team” assigned to each operator ID for a minimum of five years. Such historical records need not include the identity of the “Individual” or “Team.”



For operator IDs which require registration, it is the responsibility of the Clearing Member to ensure that each operator ID is properly registered in the Exchange Fee System (“EFS”). Registered operator IDs must be identified as either “Individual” or “Team” in EFS, and all registrations must be current and accurate at all times.

The text of Rule 576 is set forth below and is followed by a Frequently Asked Questions (“FAQ”) section which begins on page 4.

#### **576. IDENTIFICATION OF GLOBEX TERMINAL OPERATORS**

Each Globex Terminal Operator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If operator IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique operator ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using a operator ID other than the individual’s own unique operator ID.

#### **Required Registration of operator IDs**

Registration of operator IDs is required for individual members, employees of individual members, employees or contractors of a Clearing Member, CME and CBOT Rule 106.J. (“Equity Member Firm”) and NYMEX and COMEX Rule 106.J. (“Member Firm”) firms. Additionally, operator ID registration is required for any other party receiving preferential fees in accordance with other programs offered by any of the Exchanges, unless the terms of a specific program specifically exempt such registration. Additionally, irrespective of whether a party is eligible for preferential fees, Market Regulation or the GCC reserve the right to require the registration of the operator ID of any market participant.

EFS supports the registration of operator IDs that are not otherwise required to be registered if the Clearing Member elects to register the “Individual” or “Team” operator IDs. Trading entities must provide accurate and up-to-date registration information about their “Individual” and “Team” operator IDs to their respective Clearing Members. The operator ID that is registered in EFS must exactly match the operator ID that is submitted on all messages sent to Globex.

For “Team” registrations, EFS allows for the input of the relevant individual registration information for each person on the team, and also requires the designation of each team member’s role. Available roles include: Head Trader, Risk Monitor, Technical/Program Manager, Trader and Trading Monitor. Each “Team” must have a Head Trader, typically the most senior person or the person primarily responsible for the “Team’s” activities. If there are changes to the composition of the group of persons represented by the “Team” operator ID, it is the responsibility of the trading entity and the Clearing Member to ensure that those changes are promptly and accurately reflected in EFS.

#### **Identification of operator IDs for “Individual”**

A operator ID should be identified as an “Individual” if the operator ID meets one of the descriptions below:

- A single person who is a manual trader, which refers to a person who physically submits messages directly into Globex using a front-end system, typically via keyboard, mouse, or touchscreen, and the messages are then routed in their entirety to the match engine at the time of submission.
- A single person who is solely responsible for, and actively monitors at all times, the administration and operation of an Automated Trading System (“ATS”). An ATS refers to a computer system which generates and/or routes messages without human intervention. This includes any messages generated by a computer system or routed using functionality that manages the submission of an order through automated means (i.e. execution algorithm). The person in this role typically initiates or disables particular algorithms or strategies, adjusts the parameters of any

automated program(s), and monitors the live trading of the ATS. All messages must be submitted with the “Individual” operator ID assigned to the person present at the time of operation.

- A single person who engages in a combination of the trading methods described above. The person must ensure that all messages are submitted with the correct manual order indicator to differentiate between manual and automated activities.

Each “Individual” operator ID must represent a single person. Each person is required to submit messages using their own operator ID and may not, under any circumstances, permit another person to enter messages using their operator ID.

### **Identification of operator IDs for “Team”**

A operator ID should be identified as a “Team” if the operator ID represents a group of persons who are simultaneously administering, operating, and monitoring an ATS while it is operational.

Many ATSS are administered, operated, and monitored over the course of multiple shifts throughout a trading cycle. If the makeup of the group of persons is altered at the shift change time, or if a new group of persons takes over the duties of the prior group at the shift change time, a separate unique “Team” operator ID is required for messages submitted to Globex during the new shift. Where registration is required, the group of persons on the new shift must be registered with a unique “Team” operator ID in EFS so that, at any given time, the operator registration accurately identifies the Team actively monitoring the operation of the ATS.

A single operator ID may be used to represent multiple operators only in true ATS Team situations. Entities may not bundle all their ATS operators under one operator ID if certain operators are primarily responsible for different ATSS or for the same ATS on different shifts.

“Team” operator IDs may submit only automated messages to Globex. Should a situation occur where a “Team” needs to submit a manual message (i.e. during maintenance downtime, system malfunction, etc.), the message must be submitted with an “Individual” operator ID assigned to the specific single person submitting the message, rather than the “Team” operator ID associated with the group. In this scenario, a person would be acting in the capacity of an “Individual” manual trader as described above.

**Clearing Members must ensure that all operator IDs which require registration are currently and accurately registered in EFS and must make any necessary updates to operator ID registrations promptly. Failure to transmit operator IDs to Globex in accordance with this Advisory Notice may result in disciplinary action and may also result in a reassessment of fees.**

## **Frequently Asked Questions (FAQ)**

### **Identification and Registration of Globex Operator IDs (operator IDs)**

#### **1. What is an administrative message?**

Administrative messages, which are not subject to the requirements set forth in this Advisory Notice, include the following: Logon, Heartbeat, Test Request, Resend Request, Session Level Reject, Business Level Reject, Sequence Reset, and Logout.

#### **2. Do messages submitted to Globex require the submission of an accurate operator ID?**

Yes. All messages other than administrative messages referenced in the answer to Question 1 above must include the unique operator ID of the “Individual” or “Team” submitting such messages to Globex.

**3. What is a operator ID?**

A operator or Operator ID is a user ID that uniquely identifies a party that accesses and/or submits messages to Globex. operator IDs are issued by exchange Clearing Members, or their contracted vendors or assignees, or in some circumstances, by the GCC.

**4. Is the operator ID submitted on a message visible to other market participants?**

No. Trading on Globex is anonymous.

**5. Rule 576 states that each individual must use a unique user ID to access Globex. Is it permissible for an individual to have multiple operator IDs?**

Yes, an individual may have multiple operator IDs. However, each Clearing Member must be able to uniquely identify the individual assigned to a particular operator ID or identify the individuals assigned in the case of a Team operator ID. To the extent a operator ID is issued to a participant trading through an undisclosed omnibus account, the Clearing Member must be able to either obtain and provide the identity or require the omnibus account to obtain and provide the identity of the "Individual" or "Team" assigned to each operator ID within the undisclosed omnibus account upon request by Market Regulation.

**6. Are Clearing Members responsible for ensuring that operator IDs are unique at the Clearing Member level?**

Yes, all operator IDs must be unique at the Clearing Member level, irrespective of whether the account is carried by the Clearing Member on a disclosed or undisclosed basis.

**7. Is there any circumstance in which a person may use the operator ID of another person?**

No. Each message submitted to Globex must reflect the operator ID of the person or team of persons who submitted the message or caused the message to be submitted.

**8. If a person deploys an ATS and someone else monitors the operation of the ATS during certain hours, does the operator ID of the person monitoring the ATS have to be entered on new messages?**

Yes. The operator ID on all messages must be the operator ID of the person responsible for monitoring the operation of the ATS at that time.

**9. If a person deploys an ATS that operates for extended time periods, for example during Regular Trading Hours in addition to European and/or Asian trading hours, may that person's operator ID be sent on all messages?**

The operator ID on the messages must reflect the person responsible for operating and monitoring the ATS at the time the messages are sent to Globex. To the extent a single individual is responsible for operating and monitoring the ATS over any given timeframe (e.g. more than one trading session or more than a typical work shift), the individual's operator ID is required to be submitted on all messages. However, upon request, the individual must be able to demonstrate an effective means to monitor the ATS during all times it is operating. During the times that a person is not actively either

operating or monitoring the trading operation of the ATS, their name should not be reflected on the active operator.

**10. If a trader enters manual messages but also uses automated spreading functionality, may all of those messages be submitted under a single operator ID?**

Yes, in this situation, a single operator ID may be used for both manual and automated messages. The Tag 1028 (Manual/Automated Indicator) value submitted with each message must appropriately identify whether the message was submitted via automated or manual means.

**11. What is a “Team operator ID”?**

If multiple individuals simultaneously work together to operate or monitor the operation of an ATS, they may be assigned a single operator ID, called a Team operator ID, which represents all of the individuals on the team. The registration process in EFS for a Team operator ID allows a firm to identify the role of each particular individual on the team, for example, Head Trader, Trader, Risk Monitor, Trading Monitor, Technical/Programmer, or Other. Each Team operator must have a Head Trader.

**12. May a single Team operator be used for an ATS that operates for extended time periods, for example during Regular Trading Hours as well as European and Asian trading hours?**

No, because individuals on a Team operator must be simultaneously working together, and it is expected that the Team operator ID submitted on messages will change as team members' shifts change. For example, if a new team or a team with a different composition takes over the operation of an ATS during European or Asian trading hours, or any other time period or shift, then that new team's Team operator ID must be used for all messages submitted during that period.

**13. If a person is financially responsible for, and makes or oversees decisions related to an ATS, may that person be listed as the Head Trader on the Team operator ID for every shift during which the ATS operates?**

No. The Team operator ID must represent the team simultaneously working together to operate or monitor the operation of an ATS at any given point in time.

**14. If a person is working in a risk management function for a trading entity and as part of the risk function reviews and monitors the multiple ATSS that the entity is operating, does that risk person need to be identified via a Team operator ID?**

No, risk managers that are reviewing overall firm exposures and that are separate from the trading function are not required to be identified on a Team operator ID. However, if the risk manager were to manually intervene with the ATS they would need to do so using their own unique operator ID.

**15. If a member of a Team that monitors the operation of an ATS needs to submit manual messages, should the Team operator ID be submitted on those messages?**

No. The Team operator ID may be used only for messages that are generated from the ATS. To the extent the team needs to submit manual messages, the individual operator ID of the person who manually submits the message must be used.

**16. Is there a limit on the number of ATSS an entity or individual may operate?**

There is no limit to the number of ATSS an entity or individual can operate, subject to their ability to effectively monitor the operation of the ATSS.

If you have questions on the Exchange fees applicable to an ATS operator, please contact the Fee System Hotline at 312.648.5470 or via email at [efsadmin@cmegroup.com](mailto:efsadmin@cmegroup.com).

#### **17. What information is required when registering a operator ID?**

Information related to operator ID registration is available in the Exchange Fee System (EFS) User Manual available at [www.cmegroup.com](http://www.cmegroup.com).

#### **18. What types of violations related to operator IDs will Market Regulation seek to identify?**

Market Regulation's review of operator IDs will be focused on, but not be limited, identifying the following types of violations:

- Missing or Inaccurate Registration
- Non-Identifiable Operators
- Invalid Use of Operator ID
- Invalid Operator ID Format
- Inaccurate Manual Order Indicator Submission

Questions regarding this Advisory Notice may be directed to the following individuals in Market Regulation:

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For fee-related questions or for general assistance with the fee system, please contact the Fee System Hotline at (312) 648-5470 or send an email to [efsadmin@cmegroup.com](mailto:efsadmin@cmegroup.com).

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).