

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 22-364 (1 of 2)

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 08/26/22 Filing Description: Issuance of CME Market Regulation Advisory Notice RA2203-2 Regarding CME Rule 536.F. ("Audit Trail Violations")

**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: 536.

**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:

August 26, 2022

**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. Issuance of CME Market Regulation Advisory Notice RA2203-2 Issuance of CME Market Regulation Advisory Notice RA2203-2 Regarding CME Rule 536.F. (“Audit Trail Violations”).  
CME Submission No. 22-364 (1 of 2)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”) and The Board of Trade of the City of Chicago, Inc. (“CBOT”) (collectively, the “Exchanges”) hereby certify to the Commission the issuance of CME Market Regulation Advisory Notice RA2203-2 (“RA2203-2” or the “Advisory Notice”) regarding Rule 536.F. (“Audit Trail Violations”) to reissue the Advisory Notice as a CME-only Advisory Notice effective on trade date Tuesday, September 13, 2022.

The Market Regulation Advisory Notice on Rule 536.F. with respect to the CTR Clearing Member Back Office Audit Enforcement Program was originally a CME and CBOT Advisory Notice as it applied to audits of clearing members’ records from open outcry transactions in the trading pits. As a result of the closure of the CBOT open outcry trading pits in September 2021, the Advisory Notice with respect to these audits needs to be reissued as a CME-only Advisory Notice. No substantive changes are being made to the regulatory guidance within the Advisory Notice.

RA2203-2 is provided below in Exhibit A.

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 the issuance of RA2203-2 may have some bearing on the following Core Principles:

Compliance with Rules: RA2203-2 provides guidance to the marketplace on the regulatory requirements attendant to clearing members’ order records. This guidance is intended to assist clearing members in the CTR Clearing Member Back Office Audit Enforcement Program and is therefore in compliance with this Core Principle.

Availability of General Information: As required by this Core Principle, the Exchanges are publicly issuing RA2203-2 ensure that clearing members have updated guidance and information attendant to Rule 536.F. RA2203-2 will also be available on the CME Group website.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the issuance of RA2203-2 complies with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchange certifies 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

Attachment: Exhibit A: CME Market Regulation Advisory Notice RA2203-2

**EXHIBIT A**  
**MARKET REGULATION ADVISORY NOTICE**

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<b>Exchange</b>	<b>CME</b>
<b>Subject</b>	<b>Computerized Trade Reconstruction (“CTR”) Clearing Member Back Office Audit Enforcement Program Programs</b>
<b>Rule References</b>	<b>Rule 536</b>
<b>Advisory Date</b>	<b>August 29, 2022</b>
<b>Advisory Number</b>	<b>CME RA2203-2</b>
<b>Effective Date</b>	<b>September 13, 2022</b>

Effective on trade date Tuesday, September 13, 2022, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME & CBOT Market Regulation Advisory Notice RA0806-3 from March 26, 2008. It is being reissued as a CME-only Advisory Notice in connection with the termination of open outcry trading in all CBOT products.

**536.F. Audit Trail Violations**

CTR Clearing Member Back Office Audit Enforcement Program

The Market Regulation Department will conduct audits of clearing members to verify that required audit trail information has been accurately recorded and submitted. The CTR audit threshold level for firms failing to pick up and timestamp sequenced cards, verbal order cards and floor orders is 20%. The threshold for all other firm audit trail or recordkeeping deficiencies is 10%.

Percentage calculations will be made based on an examination of a combination of sequenced cards, verbal orders and floor orders totaling 150 documents. The number of documents containing a deficiency(ies) will be divided by the total number of documents examined in determining the deficiency percentage.

Violations of each threshold within 24 months shall be subject to automatic fines in accordance with the following schedule:

First occurrence	\$2,500
Second occurrence	\$5,000
Subsequent occurrence(s)	\$10,000

A firm will have 15 days after receipt of a fine to present evidence to the Market Regulation Department in support of having the fine dismissed. If the firm does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the fine shall be final and may not be appealed.

Notwithstanding the provisions of this Section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Chief Regulatory Officer.

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

Jeff Nierman, Lead Data Investigator	312.341.3195
Jackie Cerven, Senior Data Investigator	312.872.5341

**FAQ Related to CME 536.F.  
CTR Clearing Member Back Office Audit Enforcement  
Program**

**Q1: How often will clearing firms be audited?**

A1: Each firm will be audited at least once every 12 months.

**Q2: How will the back-office audit be conducted?**

A2: Staff of the Market Regulation Department will conduct the audit. If a clearing firm has multiple divisions, all divisions will be audited at the same time. A minimum of 150 documents covering at least a two-day period will be reviewed. Upon completion of the audit the clearing firm will receive reports detailing the results.

**Q3: How will the error percentage be calculated for the “Data Entry Errors” portion of the audit?**

A3: The percentage will be based on the total number of identified keypunch errors divided by the total number of documents examined. A document which contains multiple keypunch errors will be counted as one error for purposes of calculating the data entry error percentage.

**Q4: How will the error percentage be calculated for the “Collection Deadline” portion of the audit?**

A4: The percentage will be based on the total number of documents which are determined to have been collected late divided by the total number of documents examined.

**Q5: Who issues the fines pursuant to the CTR back-office audit fine schedule?**

A5: The fines are issued by the Market Regulation Department.

**Q6: May a CTR fine be appealed?**

A6: A firm will have 15 days after receiving notice of an automatic fine to present evidence to the Market Regulation Department to have the fine rescinded and the violation dismissed. The Market Regulation Department will determine if such evidence is sufficient to reduce the error percentage below the threshold level. The decisions of the Market Regulation Department are final.