

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 15-555 (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): 12/11/15 Filing Description: Amendments to CME/CBOT/NYMEX/COMEX Rule 536.B.2. ("Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems")

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:** 536

**New Product**

**Please note only ONE product per Submission.**

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

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

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

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

**Rule Numbers:**

December 11, 2015

**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 CME/CBOT/NYMEX/COMEX Rule 536.B.2. ("Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems"). COMEX Submission No. 15-555 (4 of 4)**

Dear Mr. Kirkpatrick:

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 notify the Commodity Futures Trading Commission ("CFTC" or "Commission") that they are self-certifying amendments to CME/CBOT/NYMEX/COMEX Rule 536.B.2. ("Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems"). These amendments will be effective on Tuesday, December 29, 2015.

Rule 536.B.2. contains a longstanding provision that permits an Exchange Clearing Member Firm to delegate retention and archiving responsibility for electronic audit trail data for electronic order routing/front-end systems connected to CME Globex to another Exchange Clearing Member Firm or an Equity Member Firm. In recent discussions with staff of the CFTC, a concern was expressed that the existing language led to a presumption by some market participants that the delegation clause also applied to the production of audit trail data requested by the CFTC. In the view of staff of the CFTC, the CFTC's production requirement may not be delegated, and, accordingly, Exchange Clearing Member Firms remain responsible for the production of electronic audit trails upon request by the CFTC, pursuant to the applicable recordkeeping provisions of CFTC Regulations, including Regulations 1.31 or 1.35, notwithstanding that an Exchange Clearing Member Firm has delegated the archiving and retention requirements to another Exchange Clearing Member Firm or Equity Member Firm.

In order to address the concerns expressed by the CFTC, the Exchanges have added a provision to Rule 536.B.2. codifying that nothing in the Rule relieves Exchange Clearing Member Firms or Equity Member Firms from compliance with the applicable CFTC recordkeeping regulations. The amendments to Rule 536.B.2. appear in Exhibit A.

In connection with the amendment, the Exchanges are also issuing CME Group Market Regulation Advisory Notice RA1520-5 ("RA1520-5") on December 14, 2015. RA1520-5 appears in Exhibit B.

The Exchanges reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified that the amendments to Rule 536.B.2. and the issuance of RA1520-5 may have some bearing on the following Core Principles:

Availability of General Information: As required by this Core Principle, the Exchanges are publicly issuing RA1520-5 to ensure that market participants are aware of CFTC staff's view that Exchange Clearing Member Firms remain responsible for production of electronic audit trail

regardless of whether the retention and archiving of the audit trails have been delegated to another Exchange Clearing Member Firm or an Exchange Equity Member Firm. RA1520-5 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 hereby certify that the amendments to Rule 536.B.2. and RA1520-5 comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

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, please e-mail [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com) or contact the undersigned at 212.299.2200.

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – CME/CBOT/NYMEX/COMEX Rule 536.B.2. (blackline format)  
Exhibit B – RA1520-5

## Exhibit A

### CME/CBOT/NYMEX/COMEX Chapter 5 Trading Qualifications and Practices

(deletions are ~~overstruck~~ and additions are underscored)

#### **Rule 536.B.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 an audit trail of each message entered into Globex. 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 receives or generates, including any electronic communication such system receives from Globex.

This electronic audit trail must contain all order receipt, order entry, order modification, and 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 information and fields which should include, but is not limited to the following: a~~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 ID, automated or manual 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 g~~g~~uaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an ~~Corporate~~ Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or ~~Corporate~~ 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 ~~Corporate~~ 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.

## Exhibit B

### MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX, COMEX</b>
<b>Subject</b>	<b>Order Routing/Front-End Audit Trail Requirements</b>
<b>Rule References</b>	<b>Rule 536.B.</b>
<b>Advisory Date</b>	<b>December 14, 2015</b>
<b>Advisory Number</b>	<b>CME Group RA1520-5</b>
<b>Effective Date</b>	<b>December 29, 2015 (For Revision to Rule 536.B.2. only)</b>
<b>Compliance Date</b>	<b>April 1, 2016 (For Recertification Requirement Only – see below)</b>

This Advisory Notice supersedes CME Group Market Regulation Advisory Notice RA1509-5 from June 29, 2015, and is being issued based on a revision to CME, CBOT, NYMEX and COMEX Rule 536.B.2. which codifies that electronic order routing/front-end audit trail information must be provided to the CFTC pursuant to applicable CFTC recordkeeping provisions by an Exchange Clearing Member Firm (“CMF”), notwithstanding that the Rule permits an Exchange Clearing Member Firm to delegate the archiving and retention requirements for such audit trail to another CMF or Equity Member Firm in circumstances where such other firm is a direct connect client.

No other information in this Advisory Notice has been changed.

All currently certified entities will have until **April 1, 2016**, to recertify their trading systems to ensure full compliance with the new requirements, which are set forth in [CME Group Client Systems Wiki](#). Any entities required to be certified by the Exchange to connect their order routing/front-end system to the CME Globex platform through the CME iLink<sup>®</sup> gateway between April 2, 2015, and April 1, 2016, must ensure full compliance with the modified requirements by April 1, 2016.

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<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> 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, 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 order: a) the user ID assigned him by the Exchange, a clearing member or other authorized entity (Tag 50 ID) b) the price, quantity, product, expiration month, CTI code, automated or manual 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 must be present on each order entered. For a Globex terminal operator with access pursuant to Rule 574, clearing members authorizing such access will be responsible for the Globex terminal operator's compliance with 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<sup>®</sup> gateway are responsible for creating an audit trail of each message entered into Globex. 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 receives or generates, including any electronic communication such system receives from Globex.

This electronic audit trail must contain all order receipt, order entry, order modification, and 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 information and fields which 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 ID, automated or manual 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.

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

Maricela George, Data Investigator, 312.435.3614

Terry Quinn, Manager, 312.435.3753

Laetizia Moreau, Director, 312.435.3619

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