

August 29, 2012

VIA E-MAIL

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

**RE: Regulation 40.6(a) Rule Certification. Chicago Mercantile Exchange Inc., The Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc. and Commodity Exchange Inc.
Submission # 12-271: Issuance of CME Group Market Regulation Advisory Notice RA1208-5 – Implementation of Rule 512 (“Reporting Infractions”)**

Dear Mr. Stawick:

The Chicago Mercantile Exchange Inc., The Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc. and Commodity Exchange Inc. (collectively, “the Exchanges”) are notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that they are self-certifying the August 30, 2012, issuance of CME Group Market Regulation Advisory Notice RA1208-5. This Advisory Notice informs the marketplace that the Exchanges will implement new Rule 512 (“Reporting Infractions”) on October 1, 2012. New Rule 512 was self-certified on August 16, 2012, in Submission #12-257 and the rule will become effective on September 4, 2012. The Advisory Notice provides additional information on the manner in which the Market Regulation Department (“Department”) will implement the new rule, including information on the issuance of a letter of warning for a first offense and the factors that the Department will take into consideration when determining the size of a fine for subsequent violations. Those factors 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 issuance of this Advisory Notice was referenced in aforementioned Submission #12-257, and a copy of the Advisory Notice appears in Exhibit A.

The Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act”). During the review, we have identified that the implementation of Rule 512 and the issuance of the Advisory Notice may have some bearing on the following Core Principles:

- **Compliance with Rules:** This Core Principle requires a designated contract market (“DCM”) to apply appropriate sanctions to any person that violates any rule contract market. New Rule 512 is intended to provide the Department with an effective means of issuing summary fines for reporting infractions that do not warrant a full investigation and prosecution before the Business Conduct Committee (“BCC”).
- **Availability of General Information:** This Core Principle requires a DCM to make available accurate information concerning the rules of the contract market. Given that the new rule provides each Exchange with new summary fining authority, the Advisory Notice is being issued as a supplement to the rule in order to provide additional information to market participants on the manner in which the Department will implement the new rule.
- **Disciplinary Procedures:** The Advisory Notice concerns new summary fining authority granted to the Market Regulation Department to address the inaccurate, incomplete or untimely submission

of records and other information required to be provided to the Exchanges or the CME Clearing. The rule and Advisory Notice are intended to ensure that the Exchanges have an effective and expedient means of disciplining members and member firms for reporting infractions that do not warrant elevation to a full investigation and a hearing before the BCC.

The Exchanges certify that the issuance of the Advisory Notice complies 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 Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you have any questions regarding this submission, please contact me at 312.930.8167 or via email at Sean.Downey@cmegroup. Please reference CME/CBOT/NYMEX/COMEX Submission # 12-271 in any related correspondence.

Sincerely,

/s/ Sean Downey
Director & Assistant General Counsel

Attachment: Exhibit A – Market Regulation Advisory Notice

Exhibit A

MARKET REGULATION ADVISORY NOTICE

Exchange	CME, CBOT, NYMEX & COMEX
Subject	Implementation of Rule 512 (“Reporting Infractions”)
Rule References	Rule 512
Advisory Date	August 30, 2012
Advisory Number	CME Group RA1208-5
Effective Date	October 1, 2012

Pending all relevant regulatory review periods, effective on October 1, 2012, CME, CBOT, NYMEX and COMEX will implement new Rule 512 (“Reporting Infractions”).

Rule 512 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 also provides the Market Regulation Department’s (“Department”) Chief Regulatory Officer or his designee with the authority to issue summary fines based on the inaccurate, incomplete or untimely submission of data or records. The summary fines may not exceed \$5,000 per offense for individual members or \$10,000 per offense for member firms.

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

- large trader reporting
- open interest reporting
- reporting of long positions eligible for delivery
- block trade reporting
- user IDs on CME Globex trades
- CTI (customer type indicator) codes

The Department will continue, in its discretion, to issue warning letters for a first offense. However, consistent with new 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 Probable Cause Committee for the issuance of charges, which, if issued, would require disposition by the Business Conduct Committee (“BCC”).

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, provided that the party provides evidence of a valid basis for the appeal as set forth in the rule.

The adoption of Rule 512 requires revisions to Rule 852 to eliminate overlap between the two rules. The revisions clarify that any monetary penalties that may be issued by CME Clearing pursuant to Rule 852

are surcharges, not disciplinary sanctions, and, as such, will not constitute an Exchange disciplinary action requiring reporting to the CFTC pursuant to CFTC Regulation 9.11(a). Conversely, a summary fine issued pursuant to Rule 512 constitutes a formal Exchange disciplinary action which will result in a posting on the trading floor in addition to entry into the National Futures Association Basic System. Members and member firms will not be subject to both a fine under Rule 512 and a surcharge under Rule 852 based on the same underlying activity.

The texts of new Rule 512 and revised Rule 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 members and member firms not to exceed \$5,000 per offense for individual members or \$10,000 per offense for member 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. Members and member 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 a member or member firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the member or member 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 Probable Cause Committee.

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:

Joseph Adamczyk, Executive Director, 312.435.3581

Robert Sniegowski, Senior Director, 312.341.5991

Erin Schwartz, Senior Rules and Regulatory Outreach Specialist, 312.341.3083

For media inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312.930.3434 or news@cmegroup.com.