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CME Group
A CME/Chicago Board of Trade/NYMEX Company

December 28, 2009

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

RE: CME/CBOT/NYMEX Rule 536.F.
CME/CBOT Market Regulation Advisory Notices RA0911-3
NYMEX/COMEX Market Regulation Advisory Notice RA0916-4
CME/CBOT/NYMEX/COMEX Submission No. 09-318

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), The New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively, "the Exchanges") hereby notify the Commodity Futures Trading Commission that they will adopt amendments to each exchange's Rule 536.F. effective for calendar month January 2010. As a result of the changes, CME and CBOT will issue Market Regulation Advisory Notice RA0911-3 and NYMEX and COMEX will issue Market Regulation Advisory Notice RA0916-4. Both notices will be released on December 29, and the rule changes will be effective for violations occurring during calendar month January 2010.

The changes to CME and CBOT Rule 536.F. ("CTR Enforcement Program and Sanction Schedule") eliminate the incremental fine levels of $250 and $2,500 that were adopted in September 2008 for violations of various pit trading recordkeeping requirements by members. The incremental levels were adopted based on the consolidation of the trading floor and the associated wallboard display and quoting procedure changes and the adoption of a new price reporting system, which resulted in a period of time during which members of CME and CBOT needed to become acclimated to the changes. The modifications to CME and CBOT Rule 536.F. return the fine levels to their pre-September 2008 levels.

The changes to NYMEX Rule 536.F. ("Violations") are intended to more closely align the sanction amounts for similar recordkeeping violations occurring at NYMEX and COMEX with the sanction amounts for violations taking place at CME and CBOT.

The amendments are set forth on the next page, with additions underscored and deletions overstruck. The amendments are followed by a copy of each Advisory Notice.

The Exchanges certify that the amendments and the Advisory Notices comply with the Commodity Exchange Act and regulations thereunder.

If you have any questions regarding the Advisory Notices, please contact Robert Sniegowski, Market Regulation, at 312.341.5991 or me at 312.648.5422. Please reference CME/CBOT/NYMEX/COMEX Submission No. 09-318 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack
Director and Associate General Counsel

CME & CBOT Rule 536.F. – CTR Enforcement Program and Sanction Schedule

CTR Monthly Enforcement Program

The CTR threshold levels for members with 100 or more transactions per month are as follows:

Exception Type	Threshold Level
Bracket Exceptions	8% and above
Time of Execution for	
Verbal Orders	8% and above
Sequence Errors	8% and above

A letter of warning shall be issued for a first occurrence of exceeding any threshold. Subsequent occurrences within 12 months of exceeding a threshold shall result in automatic fines starting at $~~250~~500, and then increasing to ~~$500,~~ $1,000~~, $2,500~~ and $5,000 for each subsequent occurrence.

A member will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed showing that administrative, clerical, or other errors by the clearing firm caused the member to exceed the threshold level. If the member 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 letter of warning or fine shall be final and may not be appealed.

[The remainder of the section is unchanged.]

NYMEX & COMEX Rule 536.F. – Violations

536.F. Violations

1. Audit Trail Violations

A Member's failure~~ing~~ to comply with any provision of this rule may result in the imposition of summary penalties by the Market Regulation Department.

~~A letter of warning may be issued for a first infraction.~~ Subsequent infractions within a rolling 12-month period shall result in automatic fines starting at $500, and then increasing to $1,000 and $5,000 for each subsequent infraction. ~~A second infractions within 12 months may result in an automatic $100 fine. A third infraction within 18 months may result in a $500 fine. Fines issued pursuant to this section are final and may not be appealed.~~ Fourth and subsequent violations within 24 months may result in referral to the Probable Cause Committee for the issuance of charges.

A member will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed. If the member does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to warrant a rescission, the letter of warning or fine shall be final and may not be appealed.

2. Floor Order Ticket Reviews

The Market Regulation Department will conduct reviews of clearing member firms, member firms and floor brokerage operations to verify that order tickets are being prepared in compliance with the requirements of this rule. Compliance rates of 89% or lower may result in the following sanctions:

Initial Review:

89-80%	$~~100~~500
79-70%	$~~250~~1,000
69-60%	$~~500~~1,500
59% and Below	$~~1,000~~2,500

Second Review:

89-80%	$~~100 + amount of fine from first offense~~1,000
~~79-70%~~	$~~250 + amount of fine from first offense~~2,000
69-60%	$~~500 + amount of fine from first offense~~3,000
59% and Below	$~~1,000 + amount of fine from first offense~~5,000

Third and Subsequent Reviews:

89-80%	$~~100 + amount of fine from second offense~~2,500
79-70%	$~~250 + amount of fine from second offense~~5,000
69-60%	$~~500 + amount of fine from second offense~~7,500
59% and Below	$~~1,000 + amount of fine from second offense~~10,000

Fines issued pursuant to this section are final and may not be appealed. A clearing member firm, member firm or floor broker will have 15 days after receipt of a fine to present evidence to the Market Regulation Department in support of having the fine rescinded. If the clearing member firm, member firm or floor broker does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to increase the compliance rates above 89%, the fine shall be final and may not be appealed.

Fourth and subsequent violations within 24 months may result in referral to the Probable Cause Committee for the issuance of charges.

Notwithstanding the provisions of this Section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

MARKET REGULATION ADVISORY NOTICE

Exchange	**CME & CBOT**
Subject	**Computerized Trade Reconstruction ("CTR") Monthly Edit Programs**
Rule References	**Rule 536**
Advisory Date	**December 29, 2009**
Advisory Number	**CME & CBOT RA0911-3**
Effective Date	**January 4, 2010**

This Advisory Notice supersedes CME & CBOT Market Regulation Advisory Notice RA0902-3 from February 9, 2009, and is being reissued based on amendments to the automatic fine levels for violation of various pit trading recordkeeping requirements under CME and CBOT Rule 536.F. ("CTR Enforcement Program and Sanction Schedule"). The amendments eliminate the $250 and $2,500 levels in the automatic fine schedule. These additional fine levels were adopted in 2008 to recognize the significant changes associated with the consolidation of the CME and CBOT trading floors and the implementation of the harmonized CTR Program. The membership has since had the opportunity to acclimate to these changes and, therefore, effective for calendar month January 2010 the fine schedule will revert to the prior schedule.

Under the amended schedule, a letter of warning will be issued for a first occurrence of exceeding a particular exception threshold within a rolling 12-month period. Subsequent violations of the same exception threshold within a 12-month period will result in automatic fines starting at $500 and increasing to $1,000 and $5,000 for subsequent occurrences. As is presently the case, Market Regulation may refer matters that it deems egregious to the Probable Cause Committee.

A section on frequently asked questions regarding the monthly edit programs begins on page 3 of this Advisory Notice.

Amended CME and CBOT Rule 536.F. ("CTR Enforcement Program and Sanction Schedule") is reproduced below.

536.F. **CTR Enforcement Program and Sanction Schedule**

CTR Monthly Enforcement Program

The CTR threshold levels for members with 100 or more transactions per month are as follows:

Exception Type	Threshold Level
Bracket Exceptions	8% and above

Time of Execution for	
Verbal Orders	8% and above
Sequence Errors	8% and above

A letter of warning shall be issued for a first occurrence of exceeding any threshold. Subsequent occurrences within 12 months of exceeding a threshold shall result in automatic fines starting at $500, and then increasing to $1,000 and $5,000 for each subsequent occurrence.

A member will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed showing that administrative, clerical, or other errors by the clearing firm caused the member to exceed the threshold level. If the member 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 letter of warning or fine shall be final and may not be appealed.

The monthly CTR enforcement of timestamp exceptions for firms with 1,000 or more transactions per month is 8% and above. A letter of warning shall be issued for a first occurrence of exceeding the threshold. Subsequent occurrences within 12 months of exceeding the threshold shall result in automatic fines starting at $1,500 for the second occurrence, then increasing to $5,000 and $10,000 for each subsequent occurrence.

A firm will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or 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 letter of warning or 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 Probable Cause Committee.

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

Lou Abarcar, Associate Director	312.341.3236
Terry Quinn, Manager	312.435.3753

FAQ Related to CME and CBOT Rule 536.F.
<u>CTR Monthly Edit Programs</u>

Q1: What time period does the CTR Program use to determine whether the threshold levels have been exceeded?

A1: Both the individual edit programs and firm edit program are run for each calendar month.

Q2: How will the amended sanction schedule apply to historical CTR violations?

A2: The amended sanction schedule will be applied to violations occurring during January 2010 and thereafter. If the January violation is a first offense, it will result in a warning letter. If the January violation represents a second offense in the same program within the prior 12-month period the fine will be $500. A third offense will result in a sanction of $1,000 and subsequent offenses will result in a fine of $5,000.

As is presently the case, egregious violations of recordkeeping rules may be referred directly to the Probable Cause Committee for disciplinary action.

Q3: How many categories of error exceptions (edits) are measured in the Bracket Exception Program?

A3: Three: "No Time Bracket," "No Quote Found Within Bracket" and "Price Not Quoted Within Trade Day."

Q4: Are there separate percentages calculated for each of the three edits in the Bracket Exception Program?

A4: No. There is only one error percentage calculated in this program and it is based on the total number of combined edits ("No Time Bracket," No Quote Found Within Bracket" and "Price Not Quoted Within Trade Day") divided by the total number of trades for the month. For example, a member who executes 300 trades and has 8 citations for "No Time Bracket," 7 citations for "No Quote Found Within Bracket" and 2 citations for "Price Not Quoted Within Trade Day" will have a total of 17 exceptions and a "Bracket Exception" percentage of 5.66% (17/300).

Q5: How does spread price reporting affect the Bracket Exception Program?

A5: Any spread price which does not appear in Time and Sales during the bracket designated by the member executing the spread will be considered a bracket error.

CME and CBOT Rule 528 require that parties to a pit transaction properly notify the price reporting staff of the price at which trades have been consummated. Every spread transaction must be reported **each** time the spread is traded, regardless of whether there has been a change in the last reported price. In addition to the spread price, members must report the quantity of the spread to price reporting staff who will record the acronym of the member making the price report.

Q6: How many categories of error exceptions (edits) are measured in the Time of Execution Program?

A6: Two. The Time of Execution Program includes edits for "Invalid Time of Execution" and "Execution Time Not within Bracket." An edit for "Invalid Time of Execution" is cited if the broker filling a verbal order for another member fails to record the time of execution to the nearest minute on his trading card. An edit for "Execution Time Not within Bracket" is cited if the recorded execution time does not agree with the reported time bracket.

Q7: How is the error percentage calculated for the Time of Execution Program?

A7: The percentage represents the total number of combined edits ("Invalid Time of Execution" and "Execution Time Not within Bracket") divided by the total number of process type "E" trades (CTI 3 trades).

Q8: How many categories of error exceptions (edits) are measured in the Sequence Program?

A8: Two. The Sequence Program includes edits for "Card/Bracket Sequence" and "Multiple Brackets per Card."

Q9: When is a trade considered out of sequence for the purposes of the Sequence Errors Program?

A9: The program analyzes time brackets and card sequence numbers. For example, if Card 1 is B bracket, Card 2 is C bracket and Card 3 is B bracket, all B bracket trades on Card 3 would be deemed out of sequence.

Q10: What is the requirement for the Multiple Brackets per Card edit?

A10: This edit applies to local traders and to proprietary traders who record trades in the same manner as local traders. The requirement is that all trades on a particular trading card must be from the same time bracket. The only exception is that trades in the opening bracket "$" and the corresponding 15-minute bracket period may be on the same card.

Q11: How does the CTR Edit Program apply to firms?

A11: The Timestamp Exception Program applies to firms, and violations of the 8% threshold will result in sanctions in accordance with the enforcement schedule set forth in Rule 536.F.

Q12: How many categories of edits are measured in the Timestamp Exception Program?

A12: Eight. These edits include: 1) "Time In = Time Out," 2) "Invalid Timestamps" (times are blank or 999999), 3) "Time In > Time Out," 4) "Timestamps > Clearing Receipt Time," 5) "Timestamp In > Commodity End Time," 6) "Time Out < Commodity Start Time," 7) "Time In > Keypunch Bracket" and 8) "Time Out < Keypunch Bracket."

Q13: How is the error percentage calculated for the Timestamp Exception Program?

A13: The percentage represents the total number of combined edits (set forth in the answer to Question 12 above) divided by the total number of process type "T" trades (CTI 2, 3 & 4 orders).

Q14: Who issues CTR warnings and fines?

A14: All warnings and fines are issued automatically based on the results of the CTR programs and are issued by Market Regulation staff.

Q15: Can a CTR warning or fine be appealed?

A15: Individuals have 15 days after receipt of a notice of violation to present evidence to the Market Regulation Department showing that errors beyond the member's control (for example, data entry errors by firm personnel) caused the threshold to be exceeded. If Market Regulation staff determines that the evidence is sufficient to reduce the error percentage below the threshold level, the violation will be dismissed.

Firms also have 15 days after receipt of a notice of violation to present evidence to the Market Regulation Department to have 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 Market Regulation regarding CTR actions are final and may not be appealed. Additionally, fines will be issued in accordance with the reported sanction schedule and will not be reduced.

Q16: How does the 12-month period referenced in the enforcement schedule work?

A16: The 12-month period in the enforcement schedule is a rolling 12-month period. For example, if a member were above the error threshold level for the Bracket Exception Program for the first time in a 12-month period in January 2010, a warning letter would be sent. Subsequent violations *of that program* through December 2010 would result in fines in accordance with the amended sanction schedule. If this member were to also violate the Sequence Program one time during that 12-month period, a warning letter rather than a fine would be issued for that violation because the violation occurred in a different exception program.

Q17: Do the exception programs apply across both exchanges if an individual or firm is a member of both exchanges?

A17: Because CME and CBOT are separate self-regulatory organizations, activity on each exchange is evaluated separately. As such, an individual or firm active on both exchanges could be sanctioned by each exchange in the same month if the thresholds were violated on both exchanges.

Q18: Do the programs use both outrights and spreads when calculating total trade count?

A18: Yes. All trades are used for total trade calculation.

Q19: Are members and member firms able to view statistical reports during the month to monitor their exception rates?

A19: Yes. CME and CBOT members can view and, if desired, print their reports by logging onto the Member Reporting System ("MRS"). The address is http://connect.cme.com. Login information can be obtained by contacting the Customer Support Group at 312.930.3444. Member firms can continue to access their edit reports through Infopac (CTR125 – Daily Firm Summary Performance Report and CTR126- Monthly Firm Summary Performance Report).

Q20: Who are the Market Regulation contacts for the various exception programs?

A20: Bracket Exception (CME Members) – David Peloquin, 312.341.3165
Bracket Exception (CBOT Members) – Terry Quinn, 312.435.3753
Time of Execution – Donna Bryan-Johnson, 312.435.3657
Sequence Errors and Timestamp Exception – Anthony Smith, 312.341.3129

MARKET REGULATION ADVISORY NOTICE

Exchange	**NYMEX & COMEX**
Subject	**Recordkeeping Requirements for Pit Trades**
Rule References	**Rule 536**
Advisory Date	**December 29, 2009**
Advisory Number	**NYMEX & COMEX RA0916-4**
Effective Date	**January 4, 2010**

This Advisory Notice supersedes NYMEX & COMEX Market Regulation Advisory Notice RA0911-4 from September 30, 2009, and is being issued based on changes to the fines for audit trail violations and violations of requirements concerning the preparation of floor order tickets pursuant to Section F. ("Violations") of Rule 536 ("Recordkeeping Requirements for Pit, Globex and Negotiated Trades"). The modified fine levels will be effective beginning January 4, 2010, for transactions occurring on or after that date. The changes are being made to more closely align the NYMEX and COMEX fines for audit trail and recordkeeping violations with audit trail and recordkeeping fines applicable at CME and CBOT.

This Advisory Notice provides an overview of the trade recordation and submission requirements for open outcry trades executed by NYMEX and COMEX members. The text of Rule 536 begins on the next page of this Advisory Notice.

<u>Trading Cards</u>

Effective October 5, 2009, legacy NYMEX pit card and Trade Management System trade submission requirements were replaced by direct submission of open outcry trade details from a member's trading card directly into the CME Clearing System. Trading cards must continue to reflect all information previously required and, in addition, members must now record the **time of execution of each trade** (whether buy or sell) accurate to the nearest minute. The hour must be recorded at the top of the trading card and the minute in which the trade was executed must be recorded in the appropriate space on each trade line.

The seller or seller's designated representative must, within 30 minutes of the time of execution, 1) enter the trade into the CME Clearing System; and 2) allocate the trade to the correct clearing member firm unless the trade will clear at the seller's qualifying clearing member firm. All material terms of the trade must be entered including the trade time. The information entered by the seller will continue to generate the trade(s) for the buy side.

The buyer or buyer's designated representative must, within 60 minutes of the time of execution 1) review the seller's entry and note any disagreement with the terms of the trade; 2) enter the time of execution to the nearest minute (unless the buyer does not know the trade); and 3) allocate the trade to the correct clearing member firm unless the trade will clear at the buyer's qualifying clearing member firm. <u>Please note that buyers may not allocate a trade until the seller has entered the trade into the CME Clearing System.</u> Additionally, timing information entered by the seller will not be visible to the buyer or his designated representative.

The accuracy of trade time recordation will be assessed monthly by staff of the Market Regulation Department. Members failing to record accurate trade times will be subject to sanctions pursuant to Rule 536.F.1. The original ply of trading cards will be collected in accordance with Rule 536.A. and retained by the Exchange. Trading cards will be reviewed for compliance with the recordkeeping requirements set forth in Rule 536.A. Members must retain the remaining plies of their trading cards in accordance with CFTC record retention requirements.

Order Tickets

Customer orders (including orders for the proprietary account of a member firm) received on the floor must be memorialized in written form on an order ticket or, where appropriate, immediately entered into an approved electronic trading device. Order tickets must contain the terms of the order and an electronic timestamp indicating the date and time the order was received on the floor. The specific account for which the order was placed must be noted on the order ticket, unless it is a bunched order allocated and recorded in accordance with Rule 536.C. ("Bunched Orders and Orders Eligible for Post Execution Allocation"). An electronic timestamp must be added to an order ticket each time an order is modified, returned, confirmed or cancelled.

A member on the trading floor who places an order with another member shall record the order instructions and the time of placement to the nearest minute in sequence with other trades recorded on the members' trading card (unless such order is immediately entered on an approved electronic trading device), unless the member receiving the order prepares a written order ticket conforming to all the requirements for customer orders listed above. Note that orders which involve executing a leg of an options-futures combination or other spread trade, where the initiating member executes at least one leg of the spread or combination, shall not be subject to this requirement.

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

Michael Cerar, Supervisor, Investigations, at 212.299.2895
Wayne Karnatz, Manager, Investigations, at 212.299.2913

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

Text of Rule 536

536. RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX AND NEGOTIATED TRADES

536.A. General Requirements for Open Outcry Pit Trades

At the time of execution, it shall be the duty of every member to record each trade on an approved electronic device or on pre-printed, sequentially pre-numbered trading cards in exact chronological order of execution. If recorded on trading cards, trades must be recorded on sequential lines of the card, and no lines may be skipped except that a member may use additional consecutive lines to record sufficient information concerning a particular trade type, including, but not limited to, spreads, exchange of futures or options for related positions and cabinet trades. Any lines that remain after the last execution recorded on the trading card must be marked through. No more than nine transactions may be recorded on each trading card. Every member must record the date, price, quantity, product, expiration month, opposite trader, time of execution to the nearest minute and, for options, put or call and strike price on the trading card or into the approved electronic device. Additionally, the trader must record a symbol which reflects whether the member was trading i) for his own account or an account controlled by such member, ii) for the proprietary account of his clearing member, iii) for another member present on the trading floor or for an account controlled by such other member, or iv) for any other account. Trades or order executions must either be recorded on an approved electronic device, or, if recorded on trading cards in non-erasable ink. Members using trading cards must use a new card at the start of each half-hour interval and at the start of the post settlement session.

Members must designate on the trading card whether such trade is a spread trade.

A member may correct any errors on written trading records by crossing out erroneous trade information without obliterating or otherwise making illegible any of the originally recorded information.

The seller or his designated representative ("the seller") must enter the trade into the clearing system within 30 minutes of execution. The seller must enter the material terms of the trade, including the information required in the first paragraph of this subsection, including the time of execution. Within 60 minutes of execution, the buyer or his designated representative ("the buyer") must review the seller's entry of the trade and affirmatively note any disagreement with any of the terms of the trade and enter a time of execution to the nearest minute except in a circumstance in which the buyer does not know the trade. The seller must allocate the trade to the correct clearing firm(s) within 30 minutes of the execution of the trade unless the trade will clear at the seller's qualifying clearing member firm. The buyer must allocate the trade to the correct clearing firm(s) within 60 minutes of the execution of the trade unless the trade will clear at the buyer's qualifying clearing member firm, however the buyer may not allocate a trade until the seller has entered the trade into the clearing system.

The original copy of trading cards must be submitted to the Exchange no later than 15 minutes after the end of each half-hour interval or the end of the closing range, whichever is earlier.

In addition, each member must maintain, and is accountable for, documents on which original trade information is recorded.

Trades that are not recorded contemporaneously due to an error or an outtrade shall be recorded on the next available line of a member's pre-printed, sequentially numbered trading card or on a new trading card, and such trades must be denoted as being out of sequence.

1. Customer Orders

At the time of execution, every order received from a customer must be in the form of a written or electronic record and include an electronic timestamp reflecting the date and time such order was received on the floor of the Exchange and, except as provided in Section C, must identify the specific account(s) for which the order was placed. Such record shall also include an electronic timestamp reflecting the date and time such order was modified, returned, confirmed or cancelled.

2. Individual Member Orders

   a. A member on the trading floor who enters an order with another member shall record the order instructions and the time of placement to the nearest minute in sequence with the other trades recorded on his pre-sequenced trading cards, unless such order is immediately entered into an approved electronic device or recorded pursuant to Section 2.b. below. Orders that involve options-futures combinations and other spread trades where the initiating member personally executes at least one leg of the spread shall not be subject to this requirement.

   b. Every written order that is initiated by a member for his own account while on the trading floor must include an electronic timestamp reflecting the date and time such order was transmitted for execution and when such order was modified, returned, confirmed or cancelled.

3. Proprietary Orders of Clearing Members and Certain Member Entities

Upon receipt on the floor of the Exchange, an order placed for the proprietary account of a member firm must be in the form of a written or electronic record that includes an electronic timestamp reflecting the date and time such order was received on the floor and must identify the specific account(s) for which the order was placed. Such record shall also include an electronic timestamp reflecting the date and time such order was modified, returned, confirmed or cancelled.

536.B. Globex Order Entry

1. General Requirement

Each Globex terminal operator entering orders into Globex shall input for each order: a) the user ID assigned him by the Exchange, a clearing member or other authorized entity and b) the price, quantity, product, expiration month, CTI code 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

Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the order routing/front-end audit trail for all electronic orders, 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. 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.

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 hundredth of a second. 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, 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 a Corporate Equity Member, the Clearing Firm may notify the client Clearing Firm or Corporate Equity Member 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 to maintain an electronic audit trail pursuant to this rule.

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(a-1)(5) and the NFA's Interpretative 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 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.

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 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.

Bunched orders for non-discretionary accounts may be entered either for pit execution or through Globex; 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 Interpretative 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.

536.D. Customer Type Indicator (CTI) Codes

Each clearing member must identify each transaction executed on the trading floor or on the Globex platform on the record of transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading and Open Outcry – Applies to transactions initiated and executed by an individual member for his own account, for an account he controls, or for an account in which he has an ownership or financial interest. However, transactions initiated and executed by a member for the proprietary account of a member firm must be designated as CTI 2 transactions.

CTI 2: Electronic Trading and Open Outcry – Applies to orders entered or trades executed for the proprietary accounts of a member firm.

CTI 3: Electronic Trading – Applies to orders entered by a member or a nonmember terminal operator for the account of another individual member or an account controlled by such other individual member.

CTI 3: Open Outcry – Applies to orders that a member executes on behalf of another individual member, or for an account such other member controls or in which such other member has an ownership or financial interest.

CTI 4: Electronic Trading and Open Outcry – Applies to all orders and transactions not included in CTI categories 1, 2 or 3. These typically are orders entered by or on behalf of nonmember entities.

536.E. Negotiated Trades

All orders executed in accordance with Rules 526 and 538, unless otherwise exempted by rule, are subject to the recordation requirements pursuant to Section A.1.

536.F. Violations

1. Audit Trail Violations

A Member's failure to comply with any provision of this rule may result in the imposition of summary penalties by the Market Regulation Department.

Subsequent infractions within a rolling 12-month period shall result in automatic fines starting at $500, and then increasing to $1,000 and $5,000 for each subsequent infraction. Fourth and subsequent violations within 24 months may result in referral to the Probable Cause Committee for the issuance of charges.

A member will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed. If the member does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to warrant a rescission, the letter of warning or fine shall be final and may not be appealed.

2. Floor Order Ticket Reviews

The Market Regulation Department will conduct reviews of clearing member firms, member firms and floor brokerage operations to verify that order tickets are being prepared in compliance with the requirements of this rule. Compliance rates of 89% or lower may result in the following sanctions:

Initial Review:

89-80%	$500
79-70%	$1,000
69-60%	$1,500
59% and Below	$2,500

Second Review:

89-80%	$1,000
79-70%	$2,000
69-60%	$3,000
59% and Below	$5,000

Third and Subsequent Reviews:

89-80%	$2,500
79-70%	$5,000
69-60%	$7,500
59% and Below	$10,000

Fines issued pursuant to this section are final and may not be appealed. A clearing member firm, member firm or floor broker will have 15 days after receipt of a fine to present evidence to the Market Regulation Department in support of having the fine rescinded. If the clearing member firm, member firm or floor broker does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to increase the compliance rates above 89%, the fine shall be final and may not be appealed.

Fourth and subsequent violations within 24 months may result in referral to the Probable Cause Committee for the issuance of charges.

Notwithstanding the provisions of this Section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.