

CME GLOBEX Interface Regulatory Certification Requirements

In February 1997, the Commodity Futures Trading Commission (CFTC) published an advisory (<http://www.cftc.gov/foia/fedreg97/foi970220a.htm>) regarding an alternative method of compliance with the "written" record requirements of Commission Regulation 1.35. This release addressed the record keeping requirements for orders that are prepared and transmitted to and reported from Exchange trading pits by electronic order routing systems and for customer orders prepared by off-floor order management systems. The electronic record generated by such systems is typically referred to as the "audit trail."

The intent of the Regulatory portion of the certification process is to ensure that the clearing member has the ability to produce the audit trail in a standard format. As a part of the overall FIX API certification process, CME Regulatory certification of the system's audit trail is required prior to the active trading of any products through the electronic interface. To acquire certification, a sample audit trail report must be received, reviewed, and approved by the CME Regulatory department.

The CFTC and CME require that all trading records be kept for five years, which includes any electronically generated audit trail data. CFTC regulation 1.31 specifies the required format and coding structure, and that such data must be stored in a hard copy or other allowable hard copy substitution media. Also refer to <http://www.cftc.gov/foia/fedreg99/foi990527a.htm> which comments on these issues. Additionally, the CME Division of Market Regulation requires that clearing firms have the ability to produce reports to display audit trail data and fill information in a pre-approved format, which uses terminology and field names that are consistent with other CME systems.

While the minimum data elements may to some extent depend on the functionality of the particular system, in general, the following items should be present:

- Record of all fields relating to order entry, including: transaction date, instrument, exchange code, contract month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, user id, clearing firm id, 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;
- Record of any modification, including any change or cancellation, that is made and indicate the time and nature of such modification;
- Record all CME and Commission-required and order-related times, including order entry and exit times, modification or cancel times, to the highest level of precision achievable by the operating system, but at least to the nearest second. **The times captured must not use a clock that can be modified by the person entering the order;**
- A "relative key" which is an identifier that will tie together all actions relating to a specific order;

- Record of individual system users login's and logout messages; also, records of orders that were placed but rejected **for any reason** either by the order routing system or the CME;
- Individual users of the order routing system must each be assigned unique identifiers. These identifiers must be included for each transaction on the audit trail report. This information should be passed along through the iLink interface in Tag 50. When needed, firms must be able to identify the person assigned to an ID;
- CME clearing member firms must be able to account for the state of every electronic communication from the moment an electronic system first receives such communication until it is communicated to the CME, as well as any related communications returned from the CME. This includes any automated system that is under the legal or practical control of the clearing firm or its system provider. Additionally, Clearing Firms are required to maintain audit trail data for a minimum of 5 years, as required by the CFTC and CME Rules.

A sample of the type of audit trail report and field definitions are available to Clearing Firms and ISV's by sending an email to the Division of Market Regulation at audittrail@cme.com or contact Mark Hecker or Lou Abarcar in the Division of Market Regulation at (312) 930-8525.