



## Special Executive Report

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S-7844

February 3, 2017

### Amendments to CME/CBOT/NYMEX/COMEX/CME SEF Rule 432 (General Offenses)

Effective Thursday, February 16, 2017, and pending all relevant Commodity Futures Trading Commission ("CFTC") regulatory review periods, Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX"), Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") and the Swap Execution Facility Division of Chicago Mercantile Exchange Inc. ("CME SEF") will adopt amendments to Rule 432 ("General Offenses") in the Exchanges' and CME SEF's Rulebooks.

At the request of the CFTC, the amendments to Rule 432 are being made to add language that expressly prohibits attempted fraudulent or bad faith actions, the intentional or reckless use or attempted use of a manipulative device, scheme or artifice to defraud, and the intentional or reckless delivery or attempt to deliver false, misleading or inaccurate information concerning crop or market information or conditions that may affect the price of exchange futures or options contracts or spot transactions in the underlying commodity. The additional language more closely tracks the prohibitions set forth in CFTC Regulation 180.1 (Prohibition on the employment, or attempted employment, or manipulative and deceptive devices).

The amendments to Rule 432 appear below, with additions underscored and deletions overstruck.

#### **CME/CBOT/NYMEX/COMEX Chapter 4 Enforcement of Rules**

#### **432. GENERAL OFFENSES**

It shall be an offense:

- A. to have an interest in, operate or knowingly act on behalf of a bucket-shop, or knowingly make any transaction with a bucket-shop;
- B.
  1. to engage, or attempt to engage, in fraud or bad faith;
  2. to engage in conduct or proceedings inconsistent with just and equitable principles of trade;
- C. to engage in dishonest conduct;
- D. to create or report a false or fictitious trade;
- E. to extort or attempt extortion;
- F. to buy or sell any Exchange futures or options contract with the intent to default on such purchase or sale;
- G. to prearrange the execution of transactions in Exchange products for the purpose of transferring equity between accounts;
- H. to engage in, or attempt to engage in, the manipulation of prices of Exchange futures or options contracts; to corner or squeeze, or attempt to corner or squeeze, the underlying cash market; to intentionally or recklessly use or employ, or attempt to use or employ, any manipulative device,

- scheme, or artifice to defraud; or to purchase or sell, or offer to purchase or sell Exchange futures or options contracts, or any underlying commodities or securities, for the purpose of upsetting the equilibrium of the market or creating a condition in which prices do not or will not reflect fair market values;
- I. to make a verbal or written material misstatement to the Board, a committee, or Exchange employees;
  - J. to intentionally or recklessly knowingly disseminate deliver or cause to be delivered, or attempt to deliver or cause to be delivered, false, misleading or inaccurate information concerning crop or market information or conditions that affect or may affect the price of any Exchange futures or options contract or spot transaction in the underlying commodity;
- [The remainder of the Rule is unchanged.]

**CME SEF  
Chapter 4  
Enforcement of Rules**

**432. GENERAL OFFENSES**

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- B.
  - 1. to engage , or attempt to engage, in fraud or bad faith;
  - 2. to engage in conduct or proceedings inconsistent with just and equitable principles of trade;
- C. to engage in dishonest conduct;
- D. to create or report a false or fictitious trade;
- E. to extort or attempt extortion;
- F. to buy or sell any swap with the intent to default on such purchase or sale;
- G. to prearrange the execution of transactions in CME SEF products for the purpose of transferring equity between accounts;
- H. to engage in, or attempt to engage in, the manipulation of prices of CME SEF products: to intentionally or recklessly use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud; or to purchase or sell, or offer to purchase or sell CME SEF products or any underlying commodities or securities, for the purpose of upsetting the equilibrium of the market or creating a condition in which prices do not or will not reflect fair market values;
- I. to make a verbal or written material misstatement to the Board, a committee, or CME Group employees;
- J. to intentionally or recklessly knowingly disseminate deliver or cause to be delivered, or attempt to deliver or cause to be delivered false, misleading or inaccurate information concerning market information or conditions that affect or may affect the price of any CME SEF product or its underlying commodity;

[The remainder of the Rule is unchanged.]

If you have any questions regarding the amendments, please contact one of the following individuals in Market Regulation:

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