CME Group

Special Executive Report

S- 8654   **September 15, 2020**

Amendments to Rule 536.B. ("Globex Order Entry"), Rule 548 ("Priority of Execution") and Rule 576 ("Identification of Globex Terminal Operators") in Connection with Migration from iLink2 to iLink3

Effective on trade date Thursday, September 17, 2020, and pending all relevant 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"), and Commodity Exchange, Inc. ("COMEX"), (collectively, the "Exchanges") are adopting amendments to Rule 536.B. ("Globex Order Entry"), Rule 548. ("Priority of Execution") and Rule 576. ("Identification of Globex Terminal Operators") in connection with the migration from iLink2 to iLink3.

All market participants currently connected to the CME Globex electronic trading platform ("CME Globex") via the Market Segment Gateway are required to migrate from iLink 2 to iLink 3 by Q4 2020. The Rule Amendments associated with the migration are generally administrative in nature and largely eliminate references to legacy tags and their associated numbers by replacing them with the title of the required audit trail information within the text of Rules and Advisory Notices. For example, the references to Tag 1028 will be amended to specifically state what it represents, which is the manual order indicator. The Rule Amendments also harmonize references to Globex Terminal Operators and the way that such parties are to be identified to the Exchange, replacing references to Tag 50 IDs with "operator ID."

Additionally, the Exchanges will implement an administrative amendment to Rule 536.B. to clarify that entities certified by the Exchange to connect an order routing/front-end system to CME Globex through the iLink gateway are responsible for ensuring that an audit trail of each message entered into CME Globex is created by the order routing/front-end system.

The amendments to CME, CBOT, and NYMEX/COMEX Rule 536.B. ("Globex Order Entry"), Rule 548 ("Priority of Execution") and Rule 576 ("Identification of Globex Terminal Operators") are set forth below with additions underscored and deletions overstruck.

CME, CBOT, NYMEX/COMEX Rulebooks
Chapter 5
("Trading Qualifications and Practices")
(additions are underscored, deletions are overstruck)

536.   RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES

[Section A. is unchanged]

536.B.   Globex Order Entry

1.   General Requirement

Each Globex Tterminal Ooperator entering orders into Globex shall accurately input for each Application Message all fields required to be populated by the CME iLink® Message Specifications set forth in the CME Group Client Systems Wiki in effect at the time, including, but not limited to the: operator's user ID

(Tag 50 ID); price; quantity; product; expiration month; CTI code; automated or manual order indicator (Tag 1028); and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Tterminal Ooperator's user operator ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex Tterminal Ooperator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Tterminal Ooperator's compliance with this rule with respect to the following fields: operator's useroperator ID, CTI code, automated or manual order indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Tterminal Ooperator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Tterminal Ooperator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Tterminal Ooperator receives an order which cannot be immediately entered into Globex, the Globex Tterminal Ooperator 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® gateway are responsible for creating ensuring that an audit trail of each message entered into Globex is created. 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 sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex 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 Tagrequired 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 50operator ID, automated or manual order 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.

[The remainder of the Rule is unchanged.]

548. PRIORITY OF EXECUTION

In pit trading, non-discretionary customer orders shall be executed in accordance with their price and time priority. A member shall not execute a discretionary order, including, without limitation, an order allowing the member discretion as to time and price, while in possession of an executable customer order. No person shall allocate executions in any manner other than an equitable manner.

Non-discretionary customer orders received by a Globex Tterminal Ooperator shall be entered into Globex in the sequence received. Non-discretionary orders that cannot be immediately entered into Globex must be entered when the orders become executable in the sequence in which the orders were received.

576. IDENTIFICATION OF GLOBEX TERMINAL OPERATORS

Each Globex Tterminal Ooperator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If ~~user~~ operator IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique ~~user~~ operator ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using an operator ~~user~~ ID other than the individual's own unique ~~user~~ operator ID.

Questions regarding the Rule Amendments may be directed to MarketReg.Outreach@cmegroup.com or one of the following individuals in the Market Regulation Department:

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