MARKET REGULATION ADVISORY NOTICE

Exchange	**CME, CBOT, NYMEX & COMEX**
Subject	**Summary Fines for Reporting Infractions**
Rule References	**Rule 512**
Advisory Date	**October 10, 2022**
Advisory Number	**CME Group RA2206-5**
Effective Date	**October 25, 2022**

Effective on trade date Tuesday, October 25, 2022, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2007-5 from October 25, 2022. It is being issued to add "requests for a bona fide hedge exemption" to the list of types of submission or reporting requirements that may result in summary fines pursuant to Rule 512 ("Reporting Infractions").

No substantive information in this Advisory Notice has been amended.

Rule 512 ("Reporting Infractions") 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 authorizes the Chief Regulatory Officer or his designee to issue summary fines based on the inaccurate, incomplete or untimely submission of data or records. The summary fines may not be less than $1,000 or in excess of $5,000 per offense for individuals or $10,000 per offense for firms or facilities.

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

- Reporting concerning large trader, open interest and long positions eligible for delivery
- Registrar reports
- Block trade and EFRP reporting
- Operator IDs on CME Globex trades
- Manual order indicator on CME Globex trades
- Sender location on CME Globex trades
- CTI (customer type indicator) codes
- Front-end audit trail requirements
- Reporting related to accounts, including suspense account usage, account changes, and transfer reason codes
- CME Brokerage Reassignment ("BK") trade recordation requirements (please see Special Executive Report S-7611 from March 4, 2016, for information on BK Trades)
- Requests for a bona fide hedge exemption

The Department will continue, in its discretion, to issue warning letters for a first offense. However, consistent with 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 Chief Regulatory Officer for consideration of charges pursuant to the provisions of Rule 406 ("Issuance of Charges").

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

A summary fine issued pursuant to the provisions of Rule 512 constitutes a formal Exchange disciplinary action which requires the Exchange to report the matter to the CFTC pursuant to CFTC Regulation 9.11(a), and to enter the disciplinary action into the National Futures Association Basic System. Individuals and firms will not be subject to both a fine under Rule 512 and a surcharge levied by CME Clearing pursuant to Rule 852 ("Surcharges for Errors, Delays and Omissions") based on the same underlying activity.

The texts of Rules 512 and 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 parties who have consented to the jurisdiction of the Exchange. Summary fines shall not be less than $1,000 per offense and shall not exceed $5,000 per offense for individuals or $10,000 per offense for 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. Individuals and 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 an individual or firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the individual or 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 Chief Regulatory Officer for consideration of charges.

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:

Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, at 312.872.5078

Erin Middleton, Director, Rules & Regulatory Outreach, at 312.341.3286

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