



## Special Executive Report

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S-8477

December 17, 2019

### **Amendments to CME, CBOT, NYMEX/COMEX Rule 536.B.2. ("Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems")**

Effective on Thursday, January 2, 2020, 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 CME, CBOT, NYMEX/COMEX Rule 536.B.2. ("Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems") to amend certain audit trail requirements for order routing/front-end systems ("Systems") that connect to the CME Globex electronic trading platform ("Globex") (collectively, the "Rule Amendments").

The current language of CME, CBOT, and NYMEX/COMEX Rule 536.B.2. requires entities that are certified by the Exchange to connect Systems to Globex to capture an electronic audit trail of each message received by such Systems, referred to as Tier 2 audit trail. The Rule also requires such entities to capture an electronic audit trail of all messages sent to Globex by such Systems and all messages received by such Systems from Globex, referred to as Tier 1 audit trail. Market Regulation currently conducts electronic audit trail exams on Clearing Members that encompass both Tier 1 and Tier 2 audit trail.

Upon the effective date of this rule change, Market Regulation will discontinue electronic audit trail examinations of Tier 2 audit trail data.

**The Rule Amendments do not affect any recordkeeping requirement imposed by CFTC Regulation 1.35.**

The Rule Amendments are set forth below with additions underscored and deletions ~~everstruck~~.

**CME, CBOT, NYMEX/COMEX**  
**Chapter 5**  
**("Trading Qualifications and Practices")**  
(additions are underscored; deletions are ~~everstruck~~)

#### **536.B. Globex Order Entry**

[536.B.1. is unchanged.]

##### **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 an audit trail of each message entered into Globex. 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 ~~receives or generates, including any electronic communication such system sends to or~~ receives from Globex. This electronic audit trail must contain all ~~order receipt~~, 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 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, automated or manual 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.]

Questions regarding the Rule Amendments may be directed to one of the following individuals in the Market Regulation Department:

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