



Special Executive Report

S-8559RR

September 14, 2020

UPDATE: Revised Regulatory Relief Concerning COVID-19 Pandemic

On September 11, 2020, the CFTC issued a notice extending the [temporary no-action](#) relief granted to registered U.S. intermediaries in response to the COVID-19 pandemic. The Exchange is issuing this updated notice to confirm that the temporary relief from compliance with certain Exchange rules granted by the Exchange to intermediaries operating from off the trading floor or not on the premises of an entity registered to conduct customer business is also being extended through January 15, 2021 to coincide with the new end date for the CFTC no-action relief. No other substantive changes have been made to this revised SER.

This revised Special Executive Report (SER) is being issued in connection with the June 9, 2020, CME Group Inc. [press release](#) announcing the reopening of the Eurodollar options trading pit on August 10, 2020. It is being issued to advise all members and member firms, and employees of the foregoing, that the regulatory relief provided in the original SER **does not apply when parties are conducting business on the trading floor or when they are present on the premises of an entity registered to conduct customer business.** The relief set forth below will continue to apply exclusively to parties who continue to handle customer business while off the floor or from non-registrant physical locations until further notice.

On March 13, 2020, CME, CBOT, NYMEX, and COMEX (each an "Exchange" and together the "Exchanges") extended relief with respect to various Exchange rules concerning the solicitation and handling of customer orders, including by CME and CBOT registered floor brokers. This relief is consistent with no-action letters issued by the Commodity Futures Trading Commission's Division of Swap Dealer and Intermediary Oversight and Division of Market Oversight originally issued on March 17, 2020, and extended on June 10, 2020, and September 11, 2020.

Entry of Customer Orders into CME Globex

Rule 574 (Globex Access Restrictions) currently provides that customer orders may be entered only from the premises of an entity registered to conduct customer business or the trading floor.

The Exchanges will permit parties authorized to handle customer orders for CME Group products from alternate locations provided they have obtained the necessary approval to do so from their employer, except with respect to CME and CBOT registered floor brokers who do not also maintain registration in an additional capacity that permits the handling of customer orders.

As previously communicated, **in order for CME and CBOT floor brokers who do not also maintain registration in an additional capacity to handle customer orders from an alternate location, they must receive permission to do so from their qualifying clearing member firm.** In the absence of such permission, CME and CBOT floor brokers may not handle customer orders from an alternate location.

Written Recordkeeping Requirements

Rule 536.B.1. (Globex Order Entry – General Requirement) requires each party entering customer orders into Globex to accurately input a series of required fields as specified in the rule. These requirements will continue to apply to all Globex order entry.

If the order is entered into Globex immediately upon receipt, no other record other than the entry into Globex is required.

However, if a Globex terminal operator receives an order which cannot be immediately entered into Globex, the Globex terminal operator must prepare a written order and include the account designation, date, and an electronic timestamp showing the time of receipt and the time such order was modified, returned, confirmed, or cancelled.

The Exchanges will not require that written orders include electronic timestamps in circumstances where parties are not on the trading floor or the premises of an entity registered to conduct customer business, provided however, that parties receiving such orders comply with the following requirements:

- Create a written or electronic record of the order with the appropriate account designation;
- Ensure the record includes the time of receipt, the time the order was modified, returned, confirmed, or cancelled;
- Retain any electronic communications concerning the order, including instant messages and emails; and;
- Retain all of the above for no less than 5 years from the date the record was created.

Furthermore, the aforementioned records must, under existing Exchange rules, be provided to Market Regulation upon request.

Oral Recordkeeping Requirements

Rule 536.H. (Retention of Records) currently requires members, member firms, and employees of the foregoing to comply with applicable recordkeeping requirements as set forth in CFTC Regulation 1.35, including oral recording requirements.

With respect to complying with CFTC Regulation 1.35, the Exchanges will not require compliance with the oral recording requirements for parties not on the trading floor or the premises of an entity registered to conduct customer business in accordance with the no-action relief issued by the CFTC.

Exchange Member Solicitations

CME and CBOT Rule 127 (Trading and Solicitation Privileges) requires all solicitations by members for business to take place from the trading floor or the premises of an entity registered to conduct customer business. Similarly, NYMEX and COMEX Rule 127 (Broking and Solicitation Privileges) requires broking and solicitations by members for business to take place from the premises of an entity registered to conduct customer business.

With respect to complying with Rule 127, the Exchanges will not require that solicitations for business take place from the trading floor or the premises of an entity registered to conduct customer business, provided that members comply with any conditions specified in the no-action relief granted by the CFTC.

Permissible Pre-Execution Communications Concerning Globex Trades

Exchange Rule 539.C. (Pre-Execution Communications Concerning Globex Trades) permits parties to engage in pre-execution communications pursuant to the provisions of the Rule and the associated Market Regulation Advisory Notice (“MRAN”) concerning Rule 539, available at <https://www.cmegroup.com/rulebook/files/cme-group-Rule-539.pdf>.

Parties may continue to engage in pre-execution communications in compliance with the provisions of the Rule 539.C. and the associated MRAN.

Block Trades and Exchange for Related Positions (EFRPs)

Block trades and EFRPs remain available pursuant to the provisions of Rules 526 (Block Trades) and 538 (Exchange for Related Positions) and the associated Market Regulation Advisory Notices concerning those rules.

Block Trades: <https://www.cmegroup.com/rulebook/files/cme-group-Rule-526.pdf>

EFRPs: <https://www.cmegroup.com/rulebook/files/cme-group-Rule-538.pdf>

While operating off the trading floor or from a location not authorized to conduct customer business, the Exchanges will not require that block trade and EFRP orders include electronic timestamps, provided however, that parties receiving such orders comply with all other requirements of Rules 526 and 538, in addition to complying with the following requirements:

- Create a written or electronic record of the order with the appropriate account designation;
- Ensure the record includes the time of receipt, the time the order was modified, returned, confirmed, or cancelled;
- Retain any electronic communications concerning the order, including instant messages and emails; and;
- Retain all of the above for no less than 5 years from the date the record was created.

While the Exchanges are not modifying the required submission deadlines for block trades and EFRPs, Market Regulation appreciates that due to the current circumstances, strict compliance with such deadlines may present operational challenges. Accordingly, Market Regulation strongly suggests that individuals and firms experiencing difficulty in complying with the deadlines self-report noncompliance using the links below:

Block Trades: <https://www.cmegroup.com/content/dam/cmegroup/notices/market-regulation/2017/08/SER-7974.pdf>

EFRPs: <https://www.cmegroup.com/market-regulation/self-report.html>

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

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