

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME, CBOT, NYMEX, COMEX
Subject	Order Routing/Front-End Audit Trail Requirements
Rule References	Rule 536.B.
Advisory Date	June 29, 2015
Advisory Number	CME Group RA1509-5
Effective Date	July 14, 2015
Compliance Date	April 1, 2016

This Advisory Notice supersedes CME Group Market Regulation Advisory Notice RA1504-5 from April 2, 2015, and is being issued to remind firms responsible for order routing/ front-end audit trail that Exchange Drop Copy messages or files do not meet the requirements of 536.B.2.

All currently certified entities will have until **April 1, 2016**, to recertify their trading systems to ensure full compliance with the new requirements, which are set forth in [CME Group Client Systems Wiki](#). Any entities required to be certified by the Exchange to connect their order routing/front-end system to the CME Globex platform through the CME iLink<sup>®</sup> gateway between April 2, 2015, and April 1, 2016, must ensure full compliance with the modified requirements by April 1, 2016.

CME, CBOT, NYMEX, COMEX Rule 536.B.2. (“Globex Order Entry – Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems”) requires that the electronic audit trail associated with any system that accesses the CME Globex platform through the CME iLink<sup>®</sup> gateway contain a complete and accurate record of all activity through that connection, and account for every electronic communication by the order routing or front-end system from the time such order routing or front-end system receives or generates an electronic communication until it is communicated to CME Globex. Further, the Rule requires that clearing members guaranteeing a connection to CME Globex are responsible for maintaining, or causing to be maintained, the electronic audit trail for a minimum of 5 years.

Firms responsible for the order routing/front-end audit trail of a trading system that accesses CME Globex through the CME iLink<sup>®</sup> gateway must have the ability to display data in the required format. Exchange Drop Copy messages or files do not meet the requirements of Rule 536.B.2., as Drop Copy only reflects an Exchange-level audit trail and will not include information internal to the firm’s system. Further, the connected entity must ensure that **all trading functionality supported by the system** is appropriately reflected in the audit trail. For the convenience of those responsible for such order routing or front-end systems, the Exchanges have updated the [CME Group Client Systems Wiki](#) with the new data definitions, required format, and validation rules applied through the certification process of the minimum acceptable audit trail elements that such systems must capture.

CME Group Market Regulation performs annual reviews of order routing/front-end audit trails to validate that certified systems capture data in accordance with the minimum acceptable audit trail elements.

### Responsibility for Preserving Audit Trails

Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the order routing/front-end system audit trail for all electronic orders (except in the circumstance below where the Clearing Firm’s client is another Clearing Firm or a Corporate Equity member), including order entry, modification, cancellation, and responses to such messages (referred to as the “electronic audit trail”), entered into the Globex platform through the CME iLink<sup>®</sup> gateway. While

Clearing Firms are responsible for this audit trail, many firms outsource the preservation of the audit trail to a vendor, or require that their directly connected clients bear the cost of maintaining this data.

In the case where the Guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or a Corporate Equity Member, the Clearing Firm may notify the client Clearing Firm or Corporate Equity Member that it is their obligation to maintain the audit trail. Upon execution of a written notice, it shall be the duty of the client Clearing Firm or Corporate Equity Member to maintain an electronic audit trail pursuant to this rule.

When a new connection is made to CME Globex, connecting entities must provide a sample audit trail report from the test/certification environment before the system accesses the live environment. Shortly after the new system is deployed in the live environment, the connecting entity or the clearing firm is required to provide the Market Regulation Department with a full production audit trail report. The purpose of this review is to verify that the connecting entity's audit trail meets the minimum data requirements, and that it can be produced in a standard human readable format. Questions regarding the submission of sample or production audit trail reports should be sent to [AuditTrail@CMEGroup.com](mailto:AuditTrail@CMEGroup.com).

The text of CME, CBOT, NYMEX, COMEX Rule 536.B. appears below.

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

##### **1. General Requirement**

Each Globex terminal operator entering orders into Globex shall accurately input for each order: a) the user ID assigned him by the Exchange, a clearing member or other authorized entity (Tag 50 ID) b) the price, quantity, product, expiration month, CTI code, automated or manual indicator (Tag 1028) and account number (except as provided in Section C.), and, for options, put or call and strike price. The Globex terminal operator's user ID must be present on each order entered. For a Globex terminal operator with access pursuant to Rule 574, clearing members authorizing such access will be responsible for the Globex terminal operator's compliance with this rule.

With respect to orders received by a Globex terminal operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. 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, 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 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 receives from Globex.

This electronic audit trail must contain all order receipt, order entry, order modification, and 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 a corporate Equity Member, the Clearing Firm may notify the client Clearing Firm or Corporate Equity Member 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 Corporate Equity Member to maintain an electronic audit trail pursuant to this rule.

Questions regarding this Advisory Notice may be directed to the following individuals in Market Regulation:

Maricela George, Data Investigator, 312.435.3614

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For media inquiries concerning this Special Executive Report, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).