

## MARKET REGULATION ADVISORY NOTICE

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| <b>Exchange</b>        | <b>CME</b>   |
| <b>Subject</b>         | <b>Computerized Trade Reconstruction (“CTR”)<br/>Clearing Member Back Office Audit Enforcement Program</b> |
| <b>Rule References</b> | <b>Rule 536</b>  |
| <b>Advisory Date</b>   | <b>August 29, 2022</b>   |
| <b>Advisory Number</b> | <b>CME RA2203-2</b>  |
| <b>Effective Date</b>  | <b>September 13, 2022</b>  |

Effective on trade date Tuesday, September 13, 2022, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME & CBOT Market Regulation Advisory Notice RA0806-3 from March 26, 2008. It is being reissued as a CME-only Advisory Notice in connection with the termination of open outcry trading in all CBOT products.

### **536.F. Audit Trail Violations**

#### CTR Clearing Member Back Office Audit Enforcement Program

The Market Regulation Department will conduct audits of clearing members to verify that required audit trail information has been accurately recorded and submitted. The CTR audit threshold level for firms failing to pick up and timestamp sequenced cards, verbal order cards and floor orders is 20%. The threshold for all other firm audit trail or recordkeeping deficiencies is 10%.

Percentage calculations will be made based on an examination of a combination of sequenced cards, verbal orders and floor orders totaling 150 documents. The number of documents containing a deficiency(ies) will be divided by the total number of documents examined in determining the deficiency percentage.

Violations of each threshold within 24 months shall be subject to automatic fines in accordance with the following schedule:

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|--------------------------|----------|
| First occurrence         | \$2,500  |
| Second occurrence        | \$5,000  |
| Subsequent occurrence(s) | \$10,000 |

A firm will have 15 days after receipt of a fine to present evidence to the Market Regulation Department in support of having the fine dismissed. If the firm does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the fine shall be final and may not be appealed.

Notwithstanding the provisions of this Section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Chief Regulatory Officer.

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

Jeff Nierman, Lead Data Investigator, 312.341.3195

Jackie Cerven, Lead Data Investigator, 312.872.5341

**FAQ Related to CME 536.F.  
CTR Clearing Member Back Office Audit Enforcement  
Program**

**Q1: How often will clearing firms be audited?**

A1: Each firm will be audited at least once every 12 months.

**Q2: How will the back-office audit be conducted?**

A2: Staff of the Market Regulation Department will conduct the audit. If a clearing firm has multiple divisions, all divisions will be audited at the same time. A minimum of 150 documents covering at least a two-day period will be reviewed. Upon completion of the audit the clearing firm will receive reports detailing the results.

**Q3: How will the error percentage be calculated for the “Data Entry Errors” portion of the audit?**

A3: The percentage will be based on the total number of identified keypunch errors divided by the total number of documents examined. A document which contains multiple keypunch errors will be counted as one error for purposes of calculating the data entry error percentage.

**Q4: How will the error percentage be calculated for the “Collection Deadline” portion of the audit?**

A4: The percentage will be based on the total number of documents which are determined to have been collected late divided by the total number of documents examined.

**Q5: Who issues the fines pursuant to the CTR back-office audit fine schedule?**

A5: The fines are issued by the Market Regulation Department.

**Q6: May a CTR fine be appealed?**

A6: A firm will have 15 days after receiving notice of an automatic fine to present evidence to the Market Regulation Department to have the fine rescinded and the violation dismissed. The Market Regulation Department will determine if such evidence is sufficient to reduce the error percentage below the threshold level. The decisions of the Market Regulation Department are final.