SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): <u>15-409</u>

Organization: <u>Chicago Mercantile Exchange Inc. ("CME")</u>

Filing as a: ☐ DCM ☒ SEF ☐ DCO ☐ SDR Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): <u>September 22, 2015</u> Filing Description: <u>Revisions to CME SEF Recordkeeping and Reporting Procedures and CME SEF Rules 526 and 528</u>

SPECIFY FILING TYPE Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

☒	Certification	§ 40.6(a)
☐	Approval	§ 40.5(a)
☐	Notification	§ 40.6(d)
☐	Advance Notice of SIDCO Rule Change	§ 40.10(a)
☐	SIDCO Emergency Rule Change	§ 40.10(h)

Rule Numbers: <u>526 and 528</u>

New Product   Please note only ONE product per Submission.

☐	Certification	§ 40.2(a)
☐	Certification Security Futures	§ 41.23(a)
☐	Certification Swap Class	§ 40.2(d)
☐	Approval	§ 40.3(a)
☐	Approval Security Futures	§ 41.23(b)
☐	Novel Derivative Product Notification	§ 40.12(a)
☐	Swap Submission	§ 39.5

Official Product Name:

Product Terms and Conditions (product related Rules and Rule Amendments)

☐	Certification	§ 40.6(a)
☐	Certification Made Available to Trade Determination	§ 40.6(a)
☐	Certification Security Futures	§ 41.24(a)
☐	Delisting (No Open Interest)	§ 40.6(a)
☐	Approval	§ 40.5(a)
☐	Approval Made Available to Trade Determination	§ 40.5(a)
☐	Approval Security Futures	§ 41.24(c)
☐	Approval Amendments to enumerated agricultural products	§ 40.4(a), § 40.5(a)
☐	"Non-Material Agricultural Rule Change"	§ 40.4(b)(5)
☐	Notification	§ 40.6(d)

Official Name(s) of Product(s) Affected:
Rule Numbers:

September 22, 2015

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

> **Re:** **CFTC Regulation 40.6(a) Certification. Revisions to CME SEF Recordkeeping and Reporting Procedures and CME SEF Rules 526 (Block Trading) and 528 (Swap Data Repository and Commission Reporting).**
> **CME SEF Submission No. 15-409**

Dear Mr. Kirkpatrick:

The Swap Execution Facility Division of Chicago Mercantile Exchange Inc. ("CME SEF"), pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), hereby notifies the Commission that it is self-certifying amendments to its Recordkeeping and Reporting Procedures ("RRP") and CME SEF Rules 526 (Block Trades) and 528 (Price Reporting), effective October 7, 2015, in order to better comply with CFTC Regulations Parts 43 and 45.

CME SEF Recordkeeping and Reporting Procedures

CME SEF's Recordkeeping and Reporting Procedures serve as publicly available documentation of its compliance with Parts 43 (Real-Time Public Reporting) and 45 (Swap Data Recordkeeping and Reporting Requirements) of the CFTC Regulations by setting forth aspects of CME SEF's compliance with Parts 43 and 45 not addressed by the CME SEF Rulebook. The RRP is available on CME SEF's website. The proposed revisions to the RRP are intended largely to clarify CME SEF's compliance with Parts 43 and 45 and reflect CME SEF's existing practices for recordkeeping and reporting. Specifically,

- In order to better demonstrate compliance with error reporting obligations under Regulation 45.14, CME SEF is revising paragraph 2 to state that it reports any errors and omission in data "promptly and in any case as soon as technologically practicable" after discovery or notification of such errors.

- In order to clarify its compliance with Regulation 45.6, CME SEF is updating paragraph 4 to state that each counterparty to any swap executed on CME SEF is identified by a <u>single</u> LEI in all reporting pursuant to Part 45.

- In order to clarify its compliance with Regulation 45.10(a)(1), CME SEF is revising paragraph 4 to clarify that all swap creation data is transmitted to CME SDR and that the identity of the SDR and the USI for the swap are transmitted to the counterparties and the clearing DCO as soon as technologically practicable following the execution of the swap.

- CME SEF is adding a new paragraph 6, which addresses its compliance with Regulation 45.7 pending the CFTC's adoption of a unique product identifier and product classification system.

CME SEF staff and the CME Legal Department collectively reviewed the Core Principles, as set forth in the CEA, and identified the following Core Principles as potentially being impacted:

- <u>Monitoring of Trading and Trade Processing</u> – These revisions address certain procedures for processing CME SEF trade data and reporting it to CME SDR.

- <u>Timely Publication of Trading Information</u> – The revisions clarify CME SEF's procedures for reporting data to CME SDR in compliance with Parts 43 and 45.

- <u>Reporting and Recordkeeping</u> – The revisions address CME SEF's internal recordkeeping procedures.

<u>CME SEF Rule 526</u>

CME SEF is implementing the following changes to Rule 526 following discussions with CFTC Staff as part of its process to receive full registration as a swap execution facility.

- CME SEF is revising Rule 526 to refer to "appropriate minimum block size" rather than "minimum contract size or notional value" and to refer to "Parts 43 and 45" instead of more generally to " applicable CFTC regulations." These changes do not affect the operations of CME SEF.

- CME SEF is revising Rule 526.D to require block trades to be reported to CME SEF as soon as technologically practicable, but in any event within 12 minutes of execution. In practice, this results in Participants reporting Block Trades to CME SEF as soon as technologically practicable, CME SEF then reporting these Block Trades to CME SDR as soon as technologically practicable, and CME SDR systems implementing any necessary delay on public reporting of the Block Trade.

- CME SEF is adding paragraph H, which sets specific requirements for the type of authorization necessary before a participant may execute a block trade on behalf of a customer.

CME SEF staff and the CME Legal Department collectively reviewed the Core Principles, as set forth in the CEA, and identified the following Core Principles as potentially being impacted:

- <u>Compliance with Rules</u> – Rule 526 specifies procedures to be used in executing block trades on CME SEF.

- <u>Timely Publication of Trading Information</u> – Revised Rule 526 ensures that information regarding block trades executed pursuant to the rules of CME SEF is made public in a timely fashion in accordance with CFTC regulations.

<u>CME SEF Rule 528</u>

Also following discussions with CFTC Staff as part of its process to receive full registration as a swap execution facility and to clarify its compliance with Parts 43 and 45 of the CFTC regulations, CME SEF is revising Rule 528 to make clear that CME SEF reports all trades to CME SDR as soon as technologically practicable in compliance with Parts 43 and 45 of the CFTC regulations.

CME SEF staff and the CME Legal Department collectively reviewed the Core Principles, as set forth in the CEA, and identified the following Core Principles as potentially being impacted:

- <u>Timely Publication of Trading Information</u> – Rule 526(B) ensures that CME SEF will be alerted to any errors in reporting of data regarding swap transactions executed pursuant to its rules and thus assists in ensuring that accurate swap transaction data is transmitted to CME SDR and publicly reported.

Pursuant to Section 5c(c) of the CEA and CFTC Regulation 40.6(a), CME SEF certifies that the proposed amendments to CME SEF Rules 526 and 528 comply with the CEA and regulations thereunder. CME SEF is not aware of any substantive opposing views to the proposed amendments.

CME SEF certifies that this submission has been concurrently posted on the CME Group website at http://www.cmegroup.com/market-regulation/rule-filings.html.

If you require any additional information regarding this submission, please contact me at 212-299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com. Alternatively, you may contact Rachel Johnson at 312-466-4393.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Revisions to CME SEF Recordkeeping and Reporting Procedures
Exhibit B – Revisions to CME SEF Rules 526 and 528

EXHIBIT A

CME SEF RECORDKEEPING AND REPORTING PROCEDURES

(additions underlined and deletions struck through)

1. *Swap Transaction and Pricing Data*

All swap transactions entered into on CME SEF are reported to CME SDR as soon as technologically practicable after their execution. Swap transaction and pricing data entered through Globex or ClearPort (for block trades) are transmitted without delay to all downstream systems. It is possible that swap transaction and pricing data could be disclosed on the trading screen prior to public dissemination by CME SDR. In the event that such data is disclosed on the trading screen prior to public dissemination by CME SDR, this disclosure is seen only by CME SEF Market Participants and is visible to all CME SEF Market Participants in a non-discriminatory fashion in compliance with CFTC Regulation 43.3(b)(3).

2. *Errors in Reported Data*

CME SEF reports any errors or omissions in swap data reported promptly and in any cases as soon as technologically practicable following the discovery or notification of such error or omission in compliance with CFTC Regulations 43.3(e)(1) and 45.14. If CME SEF becomes aware of an error or omission in the swap transaction or pricing data reported to CME SDR or receives notification from a reporting party pursuant to CME SEF Rule 528B that an error or omission in reporting occurred, it promptly submits corrected data to CME SDR in compliance with CFTC Regulation 43.3(e)(1). Such reports are made in compliance with the format requirements of CFTC Regulation 45.14(c).

As required by Regulation 43.3(e)(2), CME SEF will not submit a cancellation or correction of swap transaction or pricing data to CME SDR for the purpose of gaining or extending a delay in the public dissemination of accurate swap transaction or pricing data or to otherwise evade the reporting requirements of Part 43. CME SEF further will not submit a cancellation or correction of swap transaction or pricing data received from a reporting party pursuant to CME SEF Rule 528B if it believes that the reporting party has submitted the cancellation or correction to CME SEF for the purpose of gaining or extending a delay in the public dissemination of accurate swap transaction or pricing data or to otherwise evade the reporting requirements of Part 43.

3. *Technical Problems in SDR*

If CME SDR encounters technical problems and is unable to receive or hold in queue swap transaction and pricing data, CME SEF re-reports all data not properly received by the CME SDR as soon as it receives notice that CME SDR has resumed normal operations, in compliance with Regulation 43.3(g)(2).

4. *Swap and Counterparty Identification*

All swap creation data required by Regulation 45.3 is transmitted to CME SDR. CME SEF generates and assigns a Unique Swap Identifier ("USI") for each swap executed on or pursuant to the rules of CME SEF at or as soon as technologically practicable following the time of execution of the swap and prior to the reporting of swap creation data to CME SDR in compliance with Regulation 45.5(a)(1). The USI includes, in a single data field: (i) the unique alphanumeric code assigned to CME SEF by the Commission; and (ii) an unique alphanumeric code automatically generated and assigned to the swap by CME SEF systems. As soon as technologically practicable after execution, CME SEF transmits the USI and the identity of the SDR to which the required swap creation data is reported (CME SDR) to both counterparties to the swap and the DCO clearing the swap in compliance with Regulation 45.10(a)(1). ~~CME SEF electronically transmits the USI to: 1) CME SDR, as part of its report of required swap creation data; 2) each counterparty to the swap, as soon as technologically practicable after the execution of the swap; and 3) CME's DCO, as a part of its report of required swap creation data, all as required by Regulation 45.4(a)(2).~~ The USI for the swap is included in all reporting concerning the swap in compliance with Regulation 45.5(e) for the entire lifecycle of the swap regardless of any lifecycle events or changes in state data including, but not limited to, any changes with respect to the counterparties to or the ownership of the swap. In the case of pre-allocation swaps executed on or pursuant to the rules of CME SEF, the USI is included in the swap creation data reported to the CME SDR and transmitted to the reporting counterparty and the agent in compliance with Regulation 45.5(d)(1)(i).

As required by Regulation 45.6, each counterparty to any swap executed on CME SEF is identified by a single Legal Entity Identifier ("LEI") ~~counterparties to any swap executed on CME SEF are identified by their Legal Entity Identifiers ("LEIs")~~ in all reporting pursuant to Part 45 of the Commission regulations.

5. Recordkeeping

CME SEF keeps all records required by and under the terms of Regulation 45.2. More specifically, CME SEF keeps full, complete, and systematic records, together with all pertinent data and memoranda, of all activities related to the business of the CME SEF with respect to swaps, including all records required by Part 37, all as required by Regulation 45.2(a). All records CME SEF is required by Commission regulation to keep are retrievable and reportable in compliance with Regulation 45.2(d).

CME SEF keeps all records with respect to each swap throughout the life of the swap and for a period of at least 5 years following the termination of the swap as required by Regulation 45.2(c). All records of the swap include its USI for at least as long as those records are required by the CEA or the Commission to be kept. Further, in compliance with Regulation 45.6, counterparties to any swap executed on or pursuant to the rules of CME SEF are identified by their LEIs in all records kept pursuant to Part 45. All records required by Commission regulation are readily accessible via real time electronic access by CME SEF throughout the life of the swap and for two years following the final termination of the swap and are retrievable by CME SEF within 3 business days throughout the remainder of the required retention period as required by Regulation 45.2(e)(1). All records

required under the CEA and CFTC Regulations are open to the inspection under the procedures of CME SEF Rule 415 upon request by representatives of the CFTC, Department of Justice, Securities and Exchange Commission, or any representative of a prudential regulator as authorized by the CFTC in compliance with Regulation 45.2(h). CME SEF will also provide electronic or hard copies of required records to any representative at CME SEF's expense when requested by the CFTC.

In compliance with Regulation 43.3(h)(1), CME SEF time stamps swap transaction and pricing data relating to all publicly reportable swap transactions with a date and time to at least the nearest second of when CME SEF (i) receives such data from a swap counterparty (if applicable); and (ii) transmits such data to a registered SDR for public dissemination. CME SEF maintains records of these time stamps for a period of at least 5 years from the execution of such publicly reportable swap transactions, in compliance with regulation 43.3(h)(4).

6. *Unique Product Identifier and Product Classification*

Until such time as the Commission publishes a final order designating a unique product identifier and product classification system to be used in recordkeeping and swap data reporting, CME SEF shall include in its recordkeeping and swap data reporting an internal product identifier or product description. After a final order is published, CME SEF shall use the designated unique product identifier and product classification system in its recordkeeping and swap data reporting.

CME SEF RULEBOOK

(additions <u>underlined</u> and deletions ~~struck through~~)

526. BLOCK TRADES

A. Block Trades are privately negotiated transactions initiated and executed outside of the Order Book or the RFQ System and as such, will not trigger unexecuted Orders in the Order Book.

B. Each party to a Block Trade shall comply with all Rules applicable to Transactions other than those which by their terms apply only to Required Transactions executed on or through the Order Book or RFQ System.

C. A Block Trade shall be entered into solely by an ECP, satisfy any ~~minimum contract size or notional value~~ <u>appropriate minimum block size</u> requirements as may be implemented by CME SEF under this Rule, and comply with ~~all other applicable CFTC Regulations governing block trades~~ <u>CFTC Regulation 43.6</u>. Implemented ~~minimum contract size and notional value~~ <u>appropriate minimum block size</u> requirements are set forth in the Block Trade Level Table in the Interpretations Section at the end of Chapter 5.

D. The Participants to a block trade or, in the case of a brokered transaction, the Authorized Broker or an Authorized Manager handling the block trade, must ensure that each block trade is reported to ~~the~~ CME SEF in a manner ~~and within the deadlines~~ prescribed ~~from time to time~~ by ~~the~~ CME SEF~~,~~ and ~~in any event~~ <u>as soon as technologically practicable after execution but in any event</u> within twelve minutes of the time of execution.

E. An Order for a Block Trade must explicitly indicate that the Order is to be executed or executable as a Block Trade.

F. Orders may not be aggregated across multiple accounts or multiple Participants in order to meet any ~~applicable minimum contract size or notional value~~ <u>appropriate minimum block size</u> requirement for a Block Trade, except that

   (i) a commodity trading advisor registered with the Commission pursuant to the Act or excluded or exempt from registration under the Act or the CFTC Regulations, except for entities exempt under CFTC Regulation 4.14(a)(3);

   (ii) an investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940 or with a state pursuant to applicable state law or excluded or exempt from registration under the Investment Advisers Act of 1940 or applicable state law or rule;

   (iii) a bank, insurance company, trust company, or savings and loan association subject to federal or state regulation;

(iv) a foreign adviser that exercises discretionary trading authority solely over the accounts of non-U.S. persons, as defined in CFTC Regulation 4.7(a)(1)(iv);

(v) a futures commission merchant registered with the Commission pursuant to the CEA; or

(vi) an introducing broker registered with the Commission pursuant to the CEA., if otherwise authorized to arrange Block Trades on CME SEF and granted investment discretion to do so, may aggregate Orders across multiple accounts or multiple Participants to meet any ~~applicable minimum contract size or notional value~~ appropriate minimum block size requirement for a Block Trade.

G. Block Trades are, and each party to a Block Trade is, subject to all applicable CME SEF books and records requirements. Each party to a Block Trade shall upon a request from the CME SEF produce satisfactory evidence that the Block Trade meets the requirements set forth in this Rule and any additional requirements implemented under this Rule.

H. A Participant transacting a Block Trade on behalf of a customer must receive prior written instruction or consent from the customer to enter the Block Trade. Such written consent may be in the form of a power of attorney or other grant of discretionary trading authority.

528. SWAP DATA REPOSITORY AND COMMISSION REPORTING

A. CME SEF will report all Trades (including accepted block trades) executed on or pursuant to the rules of CME SEF to CME SDR as soon as technologically practicable after execution ~~subject to reporting by CME SEF under applicable CFTC Regulations to CME SDR as required by applicable CFTC Regulations~~ in compliance with Parts 43 and 45 of the CFTC Regulations. CME SEF will record and report to the CFTC all data required to be reported to the CFTC under Part 16 of the CFTC Regulations in the form and manner required by such regulations. The parties to a Trade will be responsible for compliance with their own reporting obligations, if any, with respect to such Trade under applicable CFTC Regulations.

B. If a reporting party becomes aware of an error or omission in the swap transaction or pricing data which was reported to CME SDR by CME SEF with respect to such swap, the reporting party shall promptly submit corrected data to CME SEF.