

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 17-398 (1 of 5)

**Organization:** Chicago Mercantile Exchange Inc. ("CME")

**Filing as a:**  DCM  SEF  DCO  SDR

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 10/10/17

**Filing Description:** Issuance of CME Group Market Regulation Advisory Notice RA1714-5 Concerning Rule 512. ("Reporting Infractions").

**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:** 512.

**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:**

October 10, 2017

**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. Issuance of CME Group Market Regulation Advisory Notice RA1714-5 Concerning CME/CBOT/NYMEX/COMEX Rule 512. (“Trading Infractions”).  
CME Submission No. 17-398 (1 of 5)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), 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”) hereby notify the Commission that they are self-certifying the issuance of CME Group Market Regulation Advisory Notice RA1714-5 (“RA1714-5”) concerning CME/CBOT/NYMEX/COMEX Rule 512. (“Reporting Infractions”) to add Exchange for Related Position transaction reporting to the list of infractions subject to summary sanctions under each Exchange’s Rule 512. to codify the Exchanges’ practice. While Rule 512. does not list the specific areas subject to sanctions, RA1714-5 is intended to provide this additional detail to the marketplace.

RA1714-5 is attached below as Exhibit A., and will become effective on October 25, 2017.

The Exchanges reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the issuance of RA1714-5 may have some bearing on the following Core Principles:

**Compliance with Rules:** The application of Rule 512. is one method by which the Exchanges demonstrate compliance with CFTC Regulation 38.150(b) as it is a means of sanctioning market participants for failure to submit required records in an accurate and timely matter.

**Availability of General Information:** As required by this Core Principle, the Exchanges are publicly issuing RA1714-5 to ensure that market participants have updated guidance and information attendant to Rule 512.

There were no substantive opposing views to this proposal.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the issuance of RA1714-5 complies with the Act and regulations thereunder.

The Exchanges certify that this submission has been concurrently posted on the Exchanges’ website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact the undersigned at 212.299.2200 or via email at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A: CME Group RA1714-5

## EXHIBIT A

### MARKET REGULATION ADVISORY NOTICE

|                        |  |
|------------------------|--|
| <b>Exchange</b>        | <b>CME, CBOT, NYMEX &amp; COMEX</b>            |
| <b>Subject</b>         | <b>Summary Fines for Reporting Infractions</b> |
| <b>Rule References</b> | <b>Rule 512</b>                                |
| <b>Advisory Date</b>   | <b>October 11, 2017</b>                        |
| <b>Advisory Number</b> | <b>CME Group RA1714-5</b>                      |
| <b>Effective Date</b>  | <b>October 25, 2017</b>                        |

This Advisory Notice supersedes CME Group Market Regulation Advisory Notice RA1511-5 issued on July 13, 2015. It is being issued to add Exchange for Related Position (“EFRP”) reporting to the list items for which summary fines pursuant to Rule 512 (“Reporting Infractions”) may be levied.

Rule 512 requires that all data, records and other information required to be reported to the Exchanges or CME Clearing be submitted in an accurate, complete and timely manner. The Rule authorizes the Chief Regulatory Officer or his designee to issue summary fines based on the inaccurate, incomplete or untimely submission of data or records. The summary fines may not be less than \$1,000 or in excess of \$5,000 per offense for individuals or \$10,000 per offense for firms or facilities.

Infractions subject to sanctions under Rule 512 include, but are not limited to, deficiencies related to the following types of submission or reporting requirements:

- reporting concerning large trader, open interest and long positions eligible for delivery
- block trade and EFRP reporting
- user IDs on CME Globex trades (Tag 50)
- automated/manual indicator on CME Globex trades (Tag 1028)
- CTI (customer type indicator) codes
- Registrar reports

The Department will continue, in its discretion, to issue warning letters for a first offense. However, consistent with CFTC regulations for designated contract markets, no more than one warning letter will be issued to an individual or entity for the same offense within a rolling 12-month period. Factors affecting the amount of the sanction under Rule 512 will include the magnitude, frequency and impact of the reporting infraction, the party’s prior disciplinary history for similar infractions and remedial actions taken to correct the identified reporting issues. The Department, in its discretion, may refer matters that it deems egregious to the Probable Cause Committee for the issuance of charges, which would, if issued, require disposition by the Business Conduct Committee (“BCC”).

Rule 512 will allow parties 15 calendar days following the receipt of a summary fine to present evidence to the Department demonstrating that the fine should be rescinded or reduced. The Rule also allows parties to appeal the Department’s determination that the evidence submitted was insufficient to warrant a rescission or reduction in the summary fine to the BCC, if the party provides evidence of a valid basis for the appeal as set forth in the rule.

Summary fines issued pursuant to the provisions of Rule 512 constitute formal Exchange disciplinary action requiring reporting to the CFTC pursuant to CFTC Regulation 9.11(a), which will result in a posting on the trading floor in addition to entry into the National Futures Association Basic System. Individuals

and firms will not be subject to both a fine under Rule 512 and a surcharge levied by CME Clearing pursuant to Rule 852 (“Surcharges for Errors, Delays and Omissions”) based on the same underlying activity.

The texts of Rules 512 and 852 appear below.

## **512. REPORTING INFRACTIONS**

### **512.A. General**

All data, records and other information required by the rules to be reported to the Exchange or the Clearing House, as applicable, must be submitted in an accurate, complete and timely manner.

### **512.B. Sanctions**

1. Except as otherwise provided in Rule 536, the Chief Regulatory Officer or his designee shall have the authority to impose summary fines on parties who have consented to the jurisdiction of the Exchange. Summary fines shall not be less than \$1,000 per offense and shall not exceed \$5,000 per offense for individuals or \$10,000 per offense for firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.
2. Individuals and firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.

### **512.C. Hearings and Appeals**

If the Chief Regulatory Officer or his designee determines that evidence submitted by an individual or firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the individual or firm may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee (“BCC Panel”) whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Exchange staff’s discretion;
2. In excess of the Exchange staff’s authority or jurisdiction; or
3. Based on a clearly erroneous application of Exchange rules.

Notwithstanding the provisions of Sections B.1. and B.2. above, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

## **852. SURCHARGES FOR ERRORS, DELAYS AND OMISSIONS**

Exchange staff may establish, and from time to time revise, schedules of surcharges to be imposed upon clearing members for errors, delays and omissions with respect to trade data and certain other information required to be provided to the Clearing House. These surcharges are to be collected by the Clearing House and are in addition to any disciplinary sanctions that may be imposed by Market Regulation, the BCC or CHRC for the violation of Exchange rules.

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

Erin Middleton, Lead Rules & Regulatory Outreach Specialist, at 312.341.3286

Dan Stephens, Senior Rules & Regulatory Outreach Specialist, at +44 20 3379 3966

Shawn Tan, Senior Rules & Regulatory Outreach Specialist, at +65 6593 5580

For media inquiries concerning this Market Regulation Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).