

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-514 (5 of 5)

Organization: Swap Execution Facility Division of Chicago Mercantile Exchange Inc. ("CME SEF")

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

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/30/16 **Filing Description:** Amendments to Chapter 4 ("Enforcement of Rules")

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: See filing.

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:

November 30, 2016

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
3 Lafayette Center
1155 21st Street NW
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Notification Regarding Amendments to Chapter 4
("Enforcement of Rules").
CMESEF Submission No. 16-514 (5 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"), Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") and the Swap Execution Facility Division of Chicago Mercantile Exchange Inc. ("CME SEF") hereby notify the Commission that they are self-certifying amendments to various rules in Chapter 4 ("Enforcement of Rules") of the Exchanges' and CME SEF's Rulebooks (collectively, the "Rule Amendments"). The Rule Amendments will become effective on Wednesday, December 14, 2016.

The Rule Amendments are the result of a review of the disciplinary procedures set forth in Chapter 4 undertaken by the Market Regulation and Legal Departments. The continued increase in algorithmic trading and the focus on cases involving disruptive trading practices have caused the Exchanges and the CME SEF to consider provisions of Chapter 4 to ensure they remain applicable to handling these types of disciplinary matters. Additionally, Market Regulation notes an increase in the number of unsettled cases that result in a contested hearing, and a greater number of these cases involve complex trading algorithm-related issues. As a result, more cases will likely involve the use of expert witnesses at trial, and provisions have been added specific to the use of experts during contested hearings. Market Regulation further notes that there has also been an increase in the number of pre-trial motions which require resolution by the Business Conduct Committee Panel Chair in advance of the hearing. The Rule Amendments seek to update the provisions to make the rules more applicable to the types of disciplinary cases going through the enforcement process while still maintaining a fair and efficient process for the resolution of disciplinary matters. Additional information on certain of the Rule Amendments is set forth below.

Rule 402. ("Business Conduct Committee")

The amendments to Section A. ("Jurisdiction and General Provisions") codify that all Members as defined in Rule 400. ("General Provisions") are directly subject to the jurisdiction of the Exchange or CME SEF.

The amendments to Section B. ("Sanctions") include: 1) increasing a Business Conduct Committee Panel's ("BCC Panel") monetary sanctioning authority from \$1 million to \$5 million per offense; 2) codifying the ability of a BCC Panel to order a party to disgorge any monetary benefit resulting from a violation of an Exchange or SEF Rule; and 3) adopting a provision to allow a BCC Panel to order a party to pay out-of-

pocket expenses based on vexatious, frivolous or bad faith conduct during the course of an investigation or enforcement proceeding.

Rule 406. (“Probable Cause Committee”)

The amendments eliminate the ability of a Probable Cause Committee Panel (“PCC Panel”) to issue a warning letter. A PCC Panel has authority to issue charges, but is not a sanctioning body. Additionally, a legacy provision giving a PCC Panel the ability to compel a party to appear before it has historically not been used, and it is being eliminated.

Rule 407. (“Investigation, Assignment for Hearing and Notice of Charges”)

A provision is being added that expressly states that the failure to appear at scheduled interview or to answer all of Market Regulation’s questions posed during an interview may, at the discretion of the BCC Panel Chair, prohibit the person from testifying in a subsequent hearing on the matter.

Other amendments provide Market Regulation with additional flexibility in terms of not prosecuting charges issued by a PCC Panel or settling them, in addition to providing for an extended time for a respondent to answer without requiring a PCC Panel Chair’s consent to the extent Market Regulation does not object to the extension.

Rule 408. (“Conduct of Hearings”)

Given the increased complexity of many cases, the timeframes for witness lists and exhibits to be submitted in advance of the hearing are being increased, a provision for expert witnesses has been added, and the ability of a party to make a motion to dismiss has been eliminated in order to streamline the disciplinary process. The unsupported settlement process is also being eliminated as it has proven to be unsuccessful and results in an increase in the time it takes to bring disciplinary matters to conclusion.

Rule 411. (“Appeal to a Hearing Panel of the Board of Directors”)

The ability of Market Regulation or a respondent to avail itself of an appeal to a hearing panel of the Board of Directors has been made a matter of right, as opposed to an initial request.

Rule 435. (“Effect of Suspension or Expulsion”)

Rule 435. Is being amended to codify that one of the effects of a suspension or expulsion is a direct or indirect access ban to CME Globex or any other trading or clearing platform or facility owned or controlled by CME Group. The current language does not draw the express distinction between direct and indirect access.

Rule 444. (“Sanctions and Restitution Orders”)

The amendments specifically add disgorgement to the list of items that must be paid by the date specified in the notice of decision. A provision has also been added that codifies that a party that fails to pay a fine, disgorgement or restitution by its due date will forfeit eligibility for any Exchange of CME SEF incentive or rebate program until the amount is paid in full.

The Rule Amendments are set forth in Exhibits A through D, with additions underscored and deletions overstruck.

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

Compliance with Rules: The amendments to Chapter 4 are intended to ensure that the disciplinary process remains fair and efficient, and the amendments are therefore in compliance with the Core Principle.

Availability of General Information: The Exchanges will disseminate a Special Executive Report (“SER”) that sets forth information attendant to the amendments to Chapter 4. Additionally, the SER will be published on the Exchanges’ website.

Disciplinary Procedures: The amendments to Chapter 4 continue to authorize the Exchanges to discipline, suspend, or expel members or market participants that violated the rules and remain expressly in compliance with the Regulations under this Core Principle.

CME SEF reviewed the swap execution facility core principles (“SEF Core Principles”) as set forth in the CEA and identified that the amendments may have some bearing on the following SEF Core Principles:

Compliance with Rules: The amendments to Chapter 4 are intended to ensure that the disciplinary process remains fair and efficient, and the amendments are therefore in compliance with the Core Principle, including CFTC Regulation 37.206 (“Disciplinary Procedures and Sanctions”).

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges and CME SEF certify that the amendments comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

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

Should you have any questions concerning the above, please contact the undersigned at 212.299.2200 or CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments:	Exhibit A	Amendments to CME Chapter 4 (blackline format)
	Exhibit B	Amendments to CBOT Chapter 4 (blackline format)
	Exhibit C	Amendments to NYMEX and COMEX Chapter 4 (blackline format)
	Exhibit D	Amendments to CME SEF Chapter 4 (blackline format)

Exhibit A

(Additions are underscored; deletions are ~~overstruck~~.)

CME Chapter 4 Enforcement of Rules

(Attached under separate cover)

Exhibit B

(Additions are underscored; deletions are ~~overstruck~~.)

CBOT Chapter 4 Enforcement of Rules

(Attached under separate cover)

Exhibit C

(Additions are underscored; deletions are ~~overstruck~~.)

NYMEX/COMEX Chapter 4 Enforcement of Rules

(Attached under separate cover)

Exhibit D

(Additions are underscored; deletions are ~~overstruck~~.)

CME SEF Chapter 4 Enforcement of Rules

(Attached under separate cover)