

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 15-479

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

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

Filing Date (mm/dd/yy): December 3, 2015 Filing Description: Amendments to CME SEF Recordkeeping and Reporting Procedures and CME SEF Rules 123, 407, 528, and 536(A)(1)

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

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

Rule Numbers: 123, 407, 528, and 536(A)(1)

**New Product** Please note only ONE product per Submission.

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

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

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

**Official Name(s) of Product(s) Affected:**

**Rule Numbers:**

December 3, 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. Amendments to CME SEF Recordkeeping and Reporting Procedures and CME SEF Rules 123 (Compliance with the Commodity Exchange Act), 407 (Investigation, Assignment for Hearing and Notice of Charges), 528 (Swap Data Repository and Commission Reporting), and 536(A)(1) (Recordkeeping Requirements for Globex or CME Direct, and Negotiated Trades). CME SEF Submission No. 15-479**

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 CFTC that it is self-certifying amendments to the CME SEF Recordkeeping and Reporting Procedures ("RRP") and the CME SEF Rulebook. More specifically, CME SEF is implementing new CME SEF Rule 123 (Compliance with the Commodity Exchange Act), and amending CME SEF Rules 407 (Investigation, Assignment for Hearing and Notice of Charges), 528 (Swap Data Repository and Commission Reporting), and 536(A)(1) (Recordkeeping Requirements for Globex or CME Direct, and Negotiated Trades). The proposed amendments are being made in order to make more explicit the requirements of CFTC Regulations Part 43 (Real-Time Public Reporting) and 45 (Swap Data Recordkeeping and Reporting Requirements), and also in connection with a Request for Information from CFTC Staff in considering CME SEF's application for full registration as a swap execution facility. CME SEF will advise market participants of these amendments via the issuance of a Special Executive Report ("SER"). The proposed amendments will be effective on Friday, December 18, 2015.

**CME SEF Recordkeeping and Reporting Procedures**

CME SEF's Recordkeeping and Reporting Procedures serve as publicly available documentation of its compliance with Parts 43 and 45 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 make more explicit CME SEF's compliance with Parts 43 and 45 and reflect CME SEF's existing practices for recordkeeping and reporting. Specifically,

- CME SEF is amending paragraph 1 to clarify that "the actual notional or principal amount (which must be input as the contract unit value in which the swap trades) for any trade executed on or pursuant to the rules of CME SEF" is included in the transmission to all downstream systems. This change maintains consistency with an amendment being made to CME SEF rule 536(A)(1).
- CME SEF is amending paragraph 1 to remove redundancies with the proposed amendments being made to Rule 528.

CME SEF staff and the CME Legal Department collectively reviewed the Core Principles, as set forth in the Commodity Exchange Act (“CEA” or “Act”), and identified the following Core Principles as potentially being impacted:

- Compliance with Rules – These amendments specify procedures to be used in executing block trades on CME SEF.
- Monitoring of Trading and Trade Processing – These amendments address certain procedures for processing CME SEF trade data and reporting it to CME SDR. These amendments also clarify what CME SEF trade data is required to be reported to CME SDR.
- Timely Publication of Trading Information – The amendments clarify CME SEF’s procedures for reporting data to CME SDR and what trade data is required to be reported to CME SDR in compliance with Parts 43 and 45.
- Reporting and Recordkeeping – The amendments address CME SEF’s internal recordkeeping procedures.

#### CME SEF Rule 528

Also following discussions with CFTC Staff in considering CME SEF’s application for full registration as a swap execution facility and to make more explicit its compliance with Parts 43 and 45 of the CFTC regulations, CME SEF is amending Rule 528 as follows:

- A phrase has been added to Rule 528.A. to indicate that CME SEF will transmit swap transaction and pricing data to CME SDR for all Trades and will not disclose swap transaction and pricing data to Participants before it has transmitted such data to CME SDR.
- A new provision, 528.C, has been added to describe how CME SEF will assign a reporting party when none is known to CME SEF.

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:

- Compliance with Rules – The amendments to Rule 528 specify procedures regarding how CME SEF will assign a reporting party when none is known to CME SEF.
- Monitoring of Trading and Trade Processing – These amendments address certain procedures for processing CME SEF trade data and reporting it to CME SDR. These amendments also clarify what CME SEF trade data is required to be reported to CME SDR.
- Timely Publication of Trading Information – The amendments clarify CME SEF’s procedures for reporting data to CME SDR and what trade data is required to be reported to CME SDR in compliance with Parts 43 and 45.

#### CME SEF Rule 536(A)(1)

Following discussions with CFTC Staff in considering CME SEF’s application for full registration as a swap execution facility and to make more explicit its compliance with Parts 43 and 45 of the CFTC regulations, CME SEF is amending Rule 536(A)(1) as follows:

- A phrase has been added to Rule 536(A)(1) to indicate that each Authorized Trader, Authorized Manager or Authorized Broker entering orders into Globex or CME Direct shall input for each order the actual notional or principal amount (which must be input as the contract unit value in which the swap trades).

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:

- Compliance with Rules – The amendments to Rule 536(A)(1) specify procedures to be used in entering and executing orders on CME SEF.
- Monitoring of Trading and Trade Processing – These amendments address certain procedures to be used in entering and executing orders on CME SEF and for processing CME SEF trade data.

#### CME SEF Rule 123

Following discussions with CFTC Staff in considering CME SEF's application for full registration as a swap execution facility, CME SEF is implementing new Rule 123 as a general provision prohibiting behavior that is prohibited by the CEA and the regulations thereunder.

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

- Monitoring of Trading and Trade Processing – The implementation of new Rule 123 prohibits behavior that is prohibited by the CEA and the regulations thereunder.

#### CME SEF Rule 407

Following discussions with CFTC Staff in considering CME SEF's application for full registration as a swap execution facility and to make more explicit its compliance with CFTC Regulation 37.203(f), CME SEF is amending Rule 407 as follows:

- A phrase has been added to indicate that the Market Regulation Department will commence investigations of possible rule violations upon receipt of a request from CFTC Staff or upon discovery or receipt of information by CME SEF that indicates a reasonable basis for finding that a violation may have occurred or occurred.
- A phrase has been added to indicate that the Market Regulation Department will submit a written investigation report, and what the investigation report shall include, in every instance in which staff determines that a reasonable basis exists for finding a rule violation.
- A phrase has been added to indicate that the Market Regulation Department will prepare a written report, and what the report shall include, in an instance in which staff determines that no reasonable basis exists for finding a rule violation.

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

- Compliance with Rules – The amendments to Rule 407 set forth additional requirements regarding rule enforcement, investigations, and investigation reports, including both when a reasonable basis exists for finding a violation and when no reasonable basis exists for finding a violation.

Pursuant to Section 5c(c) of the CEA and CFTC Regulation 40.6(a), CME SEF certifies that the proposed amendments to the CME SEF Recordkeeping and Reporting Procedures and the CME SEF Rulebook 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>. Additionally, CME SEF will publicly issue a SER to ensure that the marketplace has notification of these amendments. The SER will be available on the CME Group website.

If you require any additional information regarding this submission, please contact me at 212-299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto: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 (blacklined)  
Exhibit B – Revisions to the CME SEF Rulebook, Rules 123, 407, 528, and 536(A)(1)  
(blacklined)

## 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. This information includes the actual notional or principal amount (which must be input as the contract unit value in which the swap trades) for any trade executed on or pursuant to the rules of CME SEF. When a Block Trade, as defined in the CME SEF Rulebook, is executed pursuant to the rules of CME SEF, CME SEF notifies CME SDR of such a Block Trade election when transmitting swap transaction and pricing data. ~~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 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. 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). 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”) 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.



## **EXHIBIT B**

### **CME SEF RULEBOOK**

(additions underlined and deletions ~~struck through~~)

#### **116.–122. [RESERVED]**

#### **123. COMPLIANCE WITH THE COMMODITY EXCHANGE ACT**

All participants of CME SEF shall comply with the applicable provisions of the Commodity Exchange Act and the rules and regulations duly issued pursuant thereto by the CFTC.

#### **407. INVESTIGATION, ASSIGNMENT FOR HEARING AND NOTICE OF CHARGES**

The Market Regulation Department shall investigate potential or alleged Rule violations. An investigation shall be commenced upon the receipt of a request from Commission staff or upon the discovery or receipt of information by CME SEF that indicates a reasonable basis for finding that a violation may have occurred or will occur. The Market Regulation Department shall submit a written investigation report for disciplinary action in every instance in which staff determines from surveillance or from an investigation that a reasonable basis exists for finding a rule violation. The investigation report shall include the reason the investigation was initiated; a summary of the complaint, if any; the relevant facts; the Market Regulation Department's analysis and conclusions; and a recommendation as to whether disciplinary action should be pursued. Investigations and all information and documents obtained during the course of an investigation shall be treated as non-public and confidential and shall not be disclosed by any party, except as necessary to further a CME Group Exchange or CME SEF investigation or as required by law. The Market Regulation Department is authorized to take recorded interviews pursuant to a CME SEF investigation. Parties and witnesses being interviewed shall have the right to representation, at their own cost, by legal counsel or anyone other than a member of any CME SEF disciplinary committee, a member of the Board, an employee of CME Group or a person related to the investigation.

The Market Regulation Department may take oral depositions of witnesses during an investigation. The party under investigation shall be given at least five days written notice of the time of the deposition and place where the witness will be deposed, which may be at any location within the United States. The party under investigation shall have the right to be present in person or by authorized representative at the oral deposition, with right of cross-examination. All oral depositions of witnesses shall be taken under oath, before an officer qualified in the place of the deposition to administer oaths, and the complete testimony of the witnesses shall be transcribed by such officer or by a person under his supervision. Oral depositions taken in accordance with this Rule shall be admissible in evidence at any hearing of the Board of Directors or a committee, reserving to the party under investigation the right to object at the hearing to the relevancy or materiality of the testimony contained therein.

Upon conclusion of an investigation, the Market Regulation Department may issue a warning letter to any party as a result of the investigation. Such letter shall not constitute either the finding of a Rule violation or a penalty.

If after conducting an investigation, the Market Regulation Department determines that no reasonable basis exists for finding a rule violation, it shall prepare a written report including the reason the investigation was initiated; a summary of the complaint, if any; the relevant facts; and the Market Regulation Department's analysis and conclusions.

Production of the investigation report to a PCC Panel shall not constitute a waiver of the protected and/or privileged nature of such report. The Market Regulation Department's presentation to the PCC Panel shall not constitute an ex parte communication as described in Rule 417.

## **528. SWAP DATA REPOSITORY AND COMMISSION REPORTING**

- A. CME SEF will transmit swap transaction and pricing data to CME SDR for all Trades 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 in compliance with Parts 43 and Part 45 of the CFTC Regulations. As required in CFTC Regulation 43.3(b)(3), the SEF Platform will not disclose swap transaction and pricing data to Participants before it has transmitted such data to CME SDR. Participants should be aware that the trading screen may in some circumstances disclose transaction and pricing data prior to such data being displayed in CME SDR; however, such disclosure will only be to Participants and will occur with respect to all Participants at once, without discrimination. 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.
- C. To the extent counterparties to a trade executed on or pursuant to the rules of CME SEF do not identify which counterparty is the reporting party, or CME SEF cannot otherwise determine from the information provided which counterparty is the reporting party under CFTC Regulation 45.8, CME SEF will assign the seller counterparty as the reporting party.

## **536. RECORDKEEPING REQUIREMENTS FOR GLOBEX OR CME DIRECT, AND NEGOTIATED TRADES**

### **536.A. Globex or CME Direct Order Entry**

#### 1. General Requirement

Each Authorized Trader, Authorized Manager or Authorized Broker entering orders into Globex or CME Direct shall input for each order: a) the user ID assigned him by CME SEF, a clearing member or other authorized entity b) the price, actual notional or principal amount (which must be input as the contract unit value in which the swap trades) quantity, product, expiration month, CTI code, and account number (except as provided in Section C.). The Globex or CME Direct terminal operator's user ID must be present on each order entered. For a Globex or CME Direct terminal operator with access pursuant to Rule 574, clearing members authorizing such access will be responsible for the Globex or CME Direct terminal operator's compliance with this rule.

With respect to orders received by a Globex or CME Direct terminal operator which are capable of being immediately entered into Globex or CME Direct, no record other than that set forth above need be made. However, if a Globex or CME Direct terminal operator receives an order which cannot be immediately

entered into Globex or CME Direct, the Globex or CME Direct 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 or CME Direct when it becomes executable.