Sean M. Downey
Director and Assistant General Counsel
Legal Department

August 16, 2012

VIA E-MAIL

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

RE: Regulation 40.6(a) Rule Certification. Chicago Mercantile Exchange Inc./The Board of Trade of the City of Chicago, Inc./New York Mercantile Exchange, Inc./Commodity Exchange Inc.
Submission # 12-257: Adoption of CME/CBOT/NYMEX/COMEX Rule 512 ("Reporting Infractions") and Revisions to CME/CBOT/NYMEX/COMEX Rule 852 ("Fines for Errors, Delays and Omissions")

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), The New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively, "the Exchanges") are notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that they are self-certifying the adoption of CME/CBOT/NYMEX/COMEX Rule 512 ("Reporting Infractions") and revisions to CME/CBOT/NYMEX/COMEX Rule 852 ("Fines for Errors, Delays and Omissions").

New Rule 512 requires that all data, records and other information required to be reported to the Exchanges or the CME Clearing House be submitted in an accurate, complete and timely manner. The remainder of the rule concerns the authority of the Chief Regulatory Officer or his designee to issue summary fines to members and member firms based on the inaccurate, incomplete or untimely submission of data or records. Such fines may not exceed $5,000 per offense for individual members or $10,000 per offense for member firms. Members and member firms will have 15 days following receipt of a fine to present evidence to the Market Regulation Department ("Department") showing that the fine should be rescinded or reduced. As an additional safeguard with respect to the summary fining authority, the rule will also provide for an appeal the Department determined that the evidence submitted was insufficient to warrant a rescission or reduction in the summary fine provided that the member or member firm provides evidence of a valid basis for the appeal as set forth in the rule. Appeals will be heard by a panel of the Business Conduct Committee ("BCC"), whose decision will be final.

New Rule 512 is intended to allow the Department to more effectively and efficiently address various reporting deficiencies after the issuance of a warning letter for inaccurate, incomplete or untimely submissions. At the outset, the Department intends to use the new summary fining authority to address the following reporting deficiencies:

- large trader reporting
- open interest reporting
- reporting of long positions eligible for delivery

- block trade reporting
- accurate submission of user IDs on CME Globex trades
- accurate submission of CTI (customer type indicator) codes

Effective October 17th, the Exchanges will be precluded from issuing more than one warning letter to the same person or entity found to have committed a rule violation within a rolling twelve-month period pursuant to Commission Regulations 38.158(e) and 38.711. In the absence of adopting the new rule, repeat violations of minor reporting infractions would require formal investigation and referral to a Department Enforcement attorney for prosecution before a panel of the Business Conduct Committee ("BCC Panel"). The new rule will allow the Exchanges to comply with the new Regulations while preserving the Department's ability to address non-egregious reporting infractions in a cost-effective and expedient manner. As with other summary fining rules, the new rule contains a provision authorizing the Department to refer egregious reporting infractions to the Probable Cause Committee for the issuance of charges.

As a result of the adoption of Rule 512, minor revisions are required to Rule 852 in order to eliminate overlap between the two rules. The revisions to Rule 852 clarify that any monetary penalties issued by CME Clearing are surcharges, not disciplinary sanctions. Unlike disciplinary sanctions under new Rule 512 which will be made available to the public through posting to the NFA Basic System, actions taken by CME Clearing under Rule 852 will remain business surcharges that are not considered disciplinary actions and are not reported as such to the NFA Basic System.

New Rule 512 and the revisions to Rule 852 appear in Exhibit A, with additions underscored and deletions overstruck, and will become effective on September 4, 2012. The Department intends to release additional information on the application of Rule 512 in the form of one or more Market Regulation Advisory Notices prior to assessing fines for reporting infractions.

The Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act"). During the review, we have identified that the adoption or Rule 512 and the revisions to Rule 852 may have some bearing on the following Core Principles:

> Compliance with Rules: The new rule will provide the Chief Regulatory Officer with the authority to issue summary fines to individuals of up to $5,000 per offense and to firms of up to $10,000 per offense for various reporting infractions. The purpose of the new rule is to ensure that the Market Regulation Department has an effective means of sanctioning reporting infractions that do not warrant formal investigation and referral to an Enforcement attorney for prosecution before a BCC Panel. The new rule will allow the Exchanges to more efficiently enforce compliance with their rules and comply with new Commission Regulation 38.158(e) under this Core Principle.
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> Availability of General Information: The marketplace will be notified of the adoption of Rule 512 and the modifications to Rule 852 via a Special Executive Report. Additionally, the Department will issue one or more Advisory Notices to the marketplace providing additional information on the application of the new rule prior to fines being assessed.
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> Disciplinary Procedures: The new rule provides summary fining authority to the Chief Regulatory Officer. It is intended to ensure that each of the CME Group exchanges have an effective means of disciplining members and member firms that commit reporting infractions that do not warrant elevation to a full investigation and a hearing before a BCC Panel. Additionally, the new rule will allow the Exchanges to comply with new Commission Regulation 38.711 under this Core Principle.

The Exchanges certify that the adoption of CME/CBOT/NYMEX/COMEX Rule 512 and the revisions to CME/CBOT/NYMEX/COMEX Rule 852 comply with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at http://www.cmegroup.com/market-regulation/rule-filings.html.

If you have any questions regarding this submission, please contact Robert Sniegowski, Market Regulation, at 312.341.5991 or via email at Robert.Sniegowski@cmegroup. Alternatively, you may contact me at 312.930.8167 or via email at Sean.Downey@cmegroup.com. Please reference CME/CBOT/NYMEX/COMEX Submission No. 12-257 in any related correspondence.

Sincerely,

/s/ Sean Downey
Director & Assistant General Counsel

Attachment: Exhibit A

Exhibit A

512. ~~[RESERVED]~~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 members and member firms not to exceed $5,000 per offense for individual members or $10,000 per offense for member 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. Members and member 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 a member or member firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the member or member 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~~FINES~~ FOR ERRORS, DELAYS AND OMISSIONS

Exchange staff may~~shall~~ establish, and from time to time revise, schedules of surcharges~~fines~~ to be imposed upon clearing members for errors, delays and omissions with respect to trade ~~and position~~ data and certain other ~~required~~ information required to be provided to the Clearing House ~~memoranda~~. These surcharges~~fines~~ 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~~ within their jurisdiction~~.