



September 19, 2008

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

RECEIVED  
C.F.T.C.  
2008 SEP 19 AM 10:52  
OFFICE OF THE SECRETARIAT

RE: CME & CBOT Rule 536 ("Recordkeeping Requirements for Pit,  
Globex, and Negotiated Trades")  
CME & CBOT Submission No. 08-145

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME") and The Board of Trade of the City of Chicago, Inc. ("CBOT") (collectively, "the Exchanges") hereby notify the Commission that effective September 23, 2008, the Exchanges will adopt various amendments to CME and CBOT Rule 536.

The amendments to CME and CBOT Rule 536.B. ("Globex Order Entry") require clearing member firms guaranteeing a connection to CME Globex to maintain the audit trail associated with the front-end system. Prior to the harmonization of CME and CBOT rules, a similar requirement was set forth in CME Rule 536 and is presently required as part of the certification process for entities connecting to CME Globex.

The monthly exception program for missing quotes has been eliminated from Rule 536.F. This program identified cleared trade prices that were not quoted at any time during the pit-trading session. The edits from this program will continue to be captured as part of the bracket exception program.

The amendments to Section F. also modify the fining schedule for violations of the monthly CTR enforcement programs to provide for a more gradual escalation of fines by adding new fine levels of \$250 and \$2,500.

The amendments are set forth below, with additions underscored and deletions overstruck.

The Exchanges certify that the rule changes comply with the Act and regulations thereunder.

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If you have any questions regarding this matter, please contact James P. Moran, Director, Market Regulation Department, at 312.435.3671 or me at 312.648.5422. Please reference CME & CBOT Submission #08-144 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack  
Director and Associate General Counsel

**536. RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES**

[Section A. is unchanged.]

**536.B. Globex Order Entry**

**1. General Requirement**

Each Globex terminal operator entering orders into Globex shall: a) sign onto the Globex system before entering orders by inputting the user ID assigned him by CME, a clearing member or other authorized entity and b) input for each order the price, quantity, product, expiration month, CTI code and account number (except as provided in Section C.), and, for options, put or call and strike price. The Globex terminal operator's user ID must be present on each order entered. For a Globex terminal operator with access pursuant to Rule 574, clearing members authorizing such access will be responsible for the Globex terminal operator's compliance with this rule.

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

**2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the order routing/front-end audit trail for all electronic orders, including order entry, modification, cancellation and responses to such messages (referred to as the "electronic audit trail"), entered into the Globex platform through the CME iLink<sup>®</sup> gateway. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

This electronic audit trail must contain all order receipt, order entry, order modification, and response receipt times to the highest level of precision achievable by the operating system, but at least to the hundredth of a second. The times captured must not be able to be modified by the person entering the order. The data must also contain all Fix Tag information and fields which should include, but is not limited to the following:

A record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, Tag 50 ID, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the Guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or a Corporate Equity Member, the Clearing Firm may notify the client Clearing Firm or Corporate Equity Member that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Corporate Equity Member to maintain an electronic audit trail pursuant to this rule.

[Sections C through E are unchanged.]

**536.F. CTR Enforcement Program and Sanction Schedule**

CTR Monthly Enforcement Program

The CTR threshold levels for members with 100 or more transactions per month are as follows:

<u>Exception Type</u>	<u>Threshold Level</u>
Bracket Exceptions	8% and above
Time of Execution for Verbal Orders	8% and above
Sequence Errors	8% and above
Quotes not found in _____	5 or more for futures
Time and sales _____	10 or more for options and back-month Eurodollar futures

A letter of warning shall be issued for a first occurrence of exceeding any threshold. Subsequent occurrences within 12 months of exceeding a threshold shall result in automatic fines ~~in accordance with the following schedule:~~ starting at \$250, and then increasing to \$500, \$1,000, \$2,500, and \$5,000 for each subsequent occurrence.

Second occurrence _____	\$500
Third occurrence _____	\$1,000
Subsequent occurrence(s) _____	\$5,000

A member will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed showing that administrative, clerical, or other errors by the clearing firm caused the member to exceed the threshold level. If the member does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the letter of warning or fine shall be final and may not be appealed.

The monthly CTR enforcement of timestamp exceptions for firms with 1,000 or more transactions per month is 8% and above. A letter of warning shall be issued for a first occurrence of exceeding the threshold. Subsequent occurrences within 12 months of exceeding the threshold shall result in automatic fines ~~in accordance with the following schedule:~~ starting at \$1,500 for the second occurrence, then increasing to \$5,000 and \$10,000 for each subsequent occurrence.

Second occurrence _____	\$1,500
Third occurrence _____	\$5,000
Subsequent occurrence(s) _____	\$10,000

A firm will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed. If the firm does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the letter of warning or fine shall be final and may not be appealed.

CTR Clearing Member Back Office Audit Enforcement Program

The Market Regulation Department will conduct audits of clearing members to verify that required audit trail information has been accurately recorded and submitted. The CTR audit threshold level for firms failing to pick up and timestamp sequenced cards, verbal order cards and floor orders is 20%. The threshold for all other firm audit trail or recordkeeping deficiencies is 10%.

Percentage calculations will be made based on an examination of a combination of sequenced cards, verbal orders and floor orders totaling 150 documents. The number of documents containing a deficiency(ies) will be divided by the total number of documents examined in determining the deficiency percentage.

Violations of each threshold within 24 months shall be subject to automatic fines ~~in accordance with the following schedule:~~ starting at \$2,500 for a first occurrence, then increasing to \$5,000 and \$10,000 for each subsequent occurrence.

First occurrence	\$2,500
Second occurrence	\$5,000
Subsequent occurrence(s)	\$10,000

A firm will have 15 days after receipt of a fine to present evidence to the Market Regulation Department in support of having the fine dismissed. If the firm does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the fine shall be final and may not be appealed.

Notwithstanding the provisions of this Section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

[The remainder of the rule is unchanged.]