



Special Executive Report

S-8559

March 13, 2020

Regulatory Relief Concerning Covid-19 Pandemic

In anticipation of Commodity Futures Trading Commission (“CFTC”) no-action relief, CME, CBOT, NYMEX, and COMEX (each an “Exchange” and together the “Exchanges”) are extending relief with respect to various Exchange rules concerning the solicitation and handling of customer orders, including by CME and CBOT registered floor brokers, effective immediately. The relief will remain in effect until further notice.

Entry of Customer Orders into CME Globex

Rule 574 (Globex Access Restrictions) currently provides that customer orders may be entered only from the premises of an entity registered to conduct customer business or the trading floor.

The Exchanges will permit parties authorized to handle customer orders for CME Group products from alternate locations provided they have obtained the necessary approval to do so from their employer, except with respect to CME and CBOT registered floor brokers who do not also maintain registration in an additional capacity that permits the handling of customer orders.

As previously communicated, **in order for CME and CBOT floor brokers who do not also maintain registration in an additional capacity to handle customer orders from an alternate location, they must receive permission to do so from their qualifying clearing member firm.** In the absence of such permission, CME and CBOT floor brokers may not handle customer orders from an alternate location.

Written Recordkeeping Requirements

Rule 536.B.1. (Globex Order Entry – General Requirement) requires each party entering customer orders into Globex to accurately input a series of required fields as specified in the rule. These requirements will continue to apply to all Globex order entry.

If the order is entered into Globex immediately upon receipt, no other record other than the entry into Globex is required.

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, and an electronic timestamp showing the time of receipt and the time such order was modified, returned, confirmed, or cancelled.

The Exchanges will not require that written orders include electronic timestamps, provided however, that parties receiving such orders comply with the following requirements:

- Create a written or electronic record of the order with the appropriate account designation;

- Ensure the record includes the time of receipt, the time the order was modified, returned, confirmed, or cancelled;
- Retain any electronic communications concerning the order, including instant messages and emails; and;
- Retain all of the above for no less than 5 years from the date the record was created.

Furthermore, the aforementioned records must, under existing Exchange rules, be provided to Market Regulation upon request.

Oral Recordkeeping Requirements

Rule 536.H. (Retention of Records) currently requires members, member firms, and employees of the foregoing to comply with applicable recordkeeping requirements as set forth in CFTC Regulation 1.35, including oral recording requirements.

With respect to complying with CFTC Regulation 1.35, the Exchanges will not require compliance with the oral recording requirements based on the expectation that the CFTC will provide relief from this requirement.

Exchange Member Solicitations

CME and CBOT Rule 127 (Trading and Solicitation Privileges) requires all solicitations by members for business to take place from the trading floor or the premises of an entity registered to conduct customer business. Similarly, NYMEX and COMEX Rule 127 (Broking and Solicitation Privileges) requires broking and solicitations by members for business to take place from the premises of an entity registered to conduct customer business.

With respect to complying with Rule 127, the Exchanges will not require that solicitations for business take place from the trading floor or the premises of an entity registered to conduct customer business, provided that members comply with any conditions specified in the no-action relief subsequently granted by the CFTC.

Permissible Pre-Execution Communications Concerning Globex Trades

Exchange Rule 539.C. (Pre-Execution Communications Concerning Globex Trades) permits parties to engage in pre-execution communications pursuant to the provisions of the Rule and the associated Market Regulation Advisory Notice ("MRAN") concerning Rule 539, available at <https://www.cmegroup.com/rulebook/files/cme-group-Rule-539.pdf>.

Parties may continue to engage in pre-execution communications in compliance with the provisions of the Rule 539.C. and the associated MRAN.

Block Trades and Exchange for Related Positions (EFRPs)

Block trades and EFRPs remain available pursuant to the provisions of Rules 526 (Block Trades) and 538 (Exchange for Related Positions) and the associated Market Regulation Advisory Notices concerning those rules.

Block Trades: <https://www.cmegroup.com/rulebook/files/cme-group-Rule-526.pdf>

EFRPs: <https://www.cmegroup.com/rulebook/files/cme-group-Rule-538.pdf>

The Exchanges will not require that block trade and EFRP orders include electronic timestamps, provided however, that parties receiving such orders comply with all other requirements of Rules 526 and 538, in addition to complying with the following requirements:

- Create a written or electronic record of the order with the appropriate account designation;
- Ensure the record includes the time of receipt, the time the order was modified, returned, confirmed, or cancelled;
- Retain any electronic communications concerning the order, including instant messages and emails; and;
- Retain all of the above for no less than 5 years from the date the record was created.

While the Exchanges are not modifying the required submission deadlines for block trades and EFRPs, Market Regulation appreciates that due to the current circumstances, strict compliance with such deadlines may present operational challenges. Accordingly, Market Regulation strongly suggests that individuals and firms experiencing difficulty in complying with the deadlines self-report noncompliance using the links below:

Block Trades: <https://www.cmegroup.com/content/dam/cmegroup/notices/market-regulation/2017/08/SER-7974.pdf>

EFRPs: <https://www.cmegroup.com/market-regulation/self-report.html>

If you have any questions, please contact one of the following individuals in Market Regulation:

Robert Sniegowski, 312.341.5991 or Robert.Sniegowski@cmegroup.com

Erin Middleton, 312.341.3286 or Erin.Middleton@cmegroup.com

Andrew Vrabel, 312.435.3622 or Andrew.Vrabel@cmegroup.com

Greg Benbrook, 312.341.7619 or Greg.Benbrook@cmegroup.com

Steve Schwartz, 212.299.2853 or Steven.Schwartz@cmegroup.com

Chris Reinhardt, 312.435.3665 or Chris.Reinhardt@cmegroup.com

Tom LaSala, 212.299.2897 or Thomas.LaSala@cmegroup.com

If you have questions over the weekend of March 14 and 15, please contact one of the following individuals in Market Regulation:

Robert Sniegowski, 312.576.8543

Greg Benbrook, 312.296.0535

Andrew Vrabel, 312.618.9968