

CFE Regulatory Circular RG17-008

Date: July 7, 2017

To: Trading Privilege Holders

From: CFE Regulation

RE: Audit Trail Requirements

The purpose of this circular is to note certain audit trail requirements of CBOE Futures Exchange, LLC (CFE or Exchange) that are applicable to CFE Trading Privilege Holders (TPHs). In particular, this circular describes certain obligations of TPHs with respect to the designation of one or more Responsible Traders, Order Entry Operator IDs, order entry, books and records retention and provision to the Exchange, and compliance requirements. This circular updates, supersedes, and replaces CFE Regulatory Circular RG15-020 issued on May 19, 2015.

The primary change from Regulatory Circular RG15-020 is to provide for an additional standard data layout for the submission of audit trail related records by Clearing Members, Futures Commission Merchants (FCMs), and Introducing Brokers (IBs) and to no longer provide for these submissions to be made through an on-line portal. Accordingly, there are now two standard data layouts that Clearing Members, FCMs, and IBs can use for these submissions.

Designation of Responsible Trader(s) (CFE Rule 513(a))

- Each TPH shall, at all times, have at least one employee or agent designated as its Responsible Trader. Where practical, TPHs should consider designating more than one employee or agent as a Responsible Trader to allow for sufficient backup in the absence of the primary Responsible Trader.
- Each TPH must identify to the Exchange and keep accurate at all times the name, business address, business telephone, business e-mail, and title of its Responsible Trader(s). Each TPH is required to promptly notify the Exchange of this information and of any changes in this information. These notifications should be sent, in writing, to the Registration Services Department or Registration@cboe.com.
- Each Responsible Trader shall (i) have full control over access to the CFE system by the TPH (including its Authorized Traders) represented by the Responsible Trader and (ii) be able to contact the Help Desk, if required, in order to request withdrawal, in a form and manner prescribed by the Exchange, of any and all orders and quotes placed, or purported to be placed, by the TPH (including its Authorized Traders). The Responsible Trader(s) of any TPH shall also be solely responsible for any and all communications between the Exchange and the TPH, and any and all notices or other communications sent to the Responsible Trader(s) by the Exchange shall be binding on the TPH.

Order Entry Operator IDs (CFE Rule 303A)

- Each TPH, in a form and manner prescribed by the Exchange, shall include an Order Entry Operator ID with every order and quote from that TPH that is submitted to the CFE system.
 - The Order Entry Operator ID must be between 3 - 18 characters.

- TPHs using a FIX interface should enter their Order Entry Operator ID in accordance with the provisions set forth in the most current FIX Programmer's Guide.
 - TPHs using a CMi interface should enter their Order Entry Operator ID in accordance with the provisions set forth in the most current CMi Programmer's Guide.
 - Changes to the FIX and CMi Programmer's Guides are disseminated by the API Group. Copies of the relevant Programmer's Guides can be obtained by emailing api@cboe.com.
- Order Entry Operator IDs are subject to the following requirements (except in relation to Automated Trading Systems, with respect to which the next set of bullet points is applicable):
 - Each Order Entry Operator ID shall represent:
 - the natural person physically responsible for entering the order or quote into the CFE system (if a natural person entered the order or quote into the CFE system); or
 - the natural person physically responsible for entering the order or quote directly or indirectly into a system of or used by a TPH that interfaces with the CFE system (if no natural person entered the order or quote into the CFE system and instead a natural person entered the order or quote directly or indirectly into a system of or used by a TPH that interfaces with the CFE system).
 - An Order Entry Operator ID issued for a natural person may only be used by that natural person. An Order Entry Operator ID issued for a natural person may not be used by any other natural person or entity and may not be used as the Order Entry Operator ID for an Automated Trading System.
- Order Entry Operator IDs are subject to the following requirements in relation to Automated Trading Systems:
 - For this purpose, an Automated Trading System is a system that automates the generation and routing of orders or quotes.
 - Each order or quote originating from an Automated Trading System that is submitted to the CFE system shall include an Order Entry Operator ID for that Automated Trading System.
 - An Order Entry Operator ID issued for an Automated Trading System may only be used for that Automated Trading System. An Order Entry Operator ID issued for an Automated Trading System may not be used for any other Automated Trading System and may not be used as the Order Entry Operator ID for any natural person or entity.
- Each TPH shall comply with the following issuance, recordkeeping, and reporting requirements related to Order Entry Operator IDs:
 - Each Order Entry Operator ID issued for a natural person or Automated Trading System for inclusion with any order or quote from the TPH that is submitted to the CFE system shall be unique, and shall not be associated with more than one natural person or Automated Trading System, at the CFE Clearing Member level. Each TPH and any Clearing Member utilized by the TPH shall coordinate as necessary in order to ensure that this requirement is satisfied.
 - Each TPH shall collect and maintain accurate, complete, and up-to-date records with the following information for each Order Entry Operator ID issued for a natural person or Automated Trading System for inclusion with any order or quote from the TPH that is submitted to the CFE system:
 - a clear identification of whether the Order Entry Operator ID is issued for a natural person or Automated Trading System;
 - if the Order Entry Operator ID is issued for a natural person, the name, address, telephone, and e-mail contact information, and position or relationship to the TPH of the natural person;

- if the Order Entry Operator ID is issued for an Automated Trading System, the name, address, telephone, and e-mail contact information, and position or relationship to the TPH of the head operator of the Automated Trading System;
- and any other related information as may be prescribed by the Exchange.
- Each TPH shall provide to the Exchange in a form and manner prescribed by the Exchange information requested by the Exchange regarding any Order Entry Operator IDs and the natural persons and Automated Trading Systems for which they have been issued for inclusion with any order or quote from the TPH that is submitted to the CFE system. The information requested relating to an Automated Trading System may include, among other things, information regarding the head operator and other individuals that operate the Automated Trading System and the type of models, algorithms, programs, and systems utilized by the Automated Trading System.
- Each TPH shall promptly report to the Exchange in a form and manner prescribed by the Exchange any new or changed information regarding Order Entry Operator IDs that are identified to the TPH by the Exchange as being subject to this reporting requirement.

Order Entry and Maintenance of Front-End Audit Trail Information (CFE Rule 403)

- Each TPH is required to ensure that each order entered into the CFE system contains accurate and complete information as prescribed by CFE Rule 403.
- If an order is received which cannot be immediately entered into the CFE system, the TPH must prepare an order form in a non-alterable written medium, which shall be time-stamped and include the account designation, date, and other required information. These orders must be entered into the CFE system, in the order in which they were received, as soon as they can be entered into the CFE system.
- Each Clearing Member and each TPH that is an FCM or IB is responsible for maintaining front-end audit trail information for all electronic orders and quotes entered by that party into the CFE system, including all related modifications and cancellations. This audit trail must contain all order entry, modification, cancellation, and response receipt time(s) as well as all FIX tag information and fields or CMi order structure, as applicable.
- Each Clearing Member is responsible for maintaining, or causing to be maintained, front-end audit trail information of any TPH for which the Clearing Member is identified in the order or quote submission as the Clearing Member for the execution of the order or quote. Each TPH also remains obligated to comply with the provisions of Commodity Futures Trading Commission Regulation § 1.35, as applicable to that TPH.

Books and Records Retention and Provision to the Exchange (CFE Rules 501 and 502)

- Each TPH is required to keep a record of which Authorized Trader was responsible for every order and quote transmitted to the CFE system.
- All audit trail related books and records must be retained for a period of 5 years, and they must be readily accessible during the first 2 years of the 5 year period. Documents on which trade information is originally recorded in writing and order forms must be retained in hard copy for 5 years.
- During the 5 year retention period, all audit trail related books and records shall be made available for inspection by, and copies shall be delivered to, the Exchange and its authorized representatives upon request.

- TPHs are required to make TPH books and records available to the Exchange upon request in a form and manner prescribed by the Exchange and within the time frame designated by the Exchange.
- Clearing Members, FCMS, and IBs must provide audit trail related records requested by CFE Regulation in one of two standard data layouts using either of the following:
 - specifications for the TPH Data Transmission File Layouts for Submission on Request Basis may be accessed on the CFE website at <http://cfe.cboe.com/AboutCFE/Legal/PDFs/CFERecordLayouts.pdf>; and
 - specifications for the File Layout for Front-End Audit Trail File Submissions may be accessed on the CFE website at <http://cfe.cboe.com/aboutcfe/legal/pdfs/tph-additional-data-transmission-file-layout.pdf>.

Compliance Requirements

- TPHs are currently obligated to comply with all of the requirements described in this circular.
- TPHs who rely upon services received from third parties are ultimately responsible for compliance with all of the requirements described in this circular. Third parties could include, among others, Independent Software Vendors, storage providers or other TPHs that provide execution services or through which orders are routed to the Exchange.

This circular is not intended to provide a comprehensive description of the foregoing requirements and TPHs should refer to CFE Rules for additional detail.

Please be advised that CFE Regulation conducts routine examinations to verify that all required audit trail information has been accurately recorded, submitted, and maintained by TPHs.

Please also note that the Exchange may augment or modify the above requirements to the extent that the CFTC requires compliance with additional or different best practices or requirements related to Order Entry Operator IDs and audit trail recordkeeping requirements.

Additional Information

Questions pertaining to this circular can be directed to the CFE Regulatory Interpretations and Guidance team at (312) 786-7229 or by e-mail at AskCFEReg@cboe.com.

(Replaces CFE Regulatory Circular RG15-020)