

CME Broadens Scope of Prohibited Trading Practices

On July 19, 2021, CME Group Inc. (the CME), the parent company of derivatives exchanges including the Chicago Mercantile Exchange and New York Mercantile Exchange, issued a Market Regulation Advisory Notice amending prior guidance on prohibited disruptive trading practices. The CME's amended Advisory Notice RA2107-5 (Advisory Notice), took effect on August 2, 2021, and impacts the types of trading behavior for which individual traders and their employers may be held liable.

The Advisory Notice underscores the CME's expectations in two key areas: market participants' internal controls for risk management; and the integrity of messaging data that traders submit to the CME. The Advisory Notice sets forth scenarios under which compliance failures in either of these two areas might constitute a disruptive trading practice. Of course, violations of CME's disruptive trading practice rules can result in significant fines, a bar from exchange access, and followon enforcement actions from other market regulators. Thus, it is significant that the Advisory Notice takes aim at internal controls that are not typically associated with market manipulation but can nonetheless result in regulatory enforcement.

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