

SAMPLE REGULATORY CHART

DESIGNATED CONTRACT MARKET ANALYSIS OF COMPLIANCE WITH CEACT DESIGNATION CRITERIA

[APPLICANT _____]

DESIGNATION CRITERION	PROPOSAL & COMMENTS
Sec. 5(a) Applications – “A board of trade applying to the Commission for designation as a contract market shall submit an application to the Commission that includes any relevant materials and records the Commission may require consistent with the Act.”	
Sec. 5(b) Criteria for Designation	
Designation Criterion 1 – In General: “To be designated as a contract market, the board of trade shall demonstrate to the Commission that the board of trade meets the criteria specified in this subsection.”	
Designation Criterion 2 – Prevention of Market Manipulation: “The board of trade shall have the capacity to prevent market manipulation through market surveillance, compliance, and enforcement practices and procedures, including methods for conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.”	
Designation Criterion 3 – Fair and Equitable Trading: “The board of trade shall establish and enforce trading rules to ensure fair and equitable trading through the	

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facilities of the contract market, and [sic] the capacity to detect, investigate, and discipline any person that violates the rules.”	
Designation Criterion 4 – Trade Execution Facility: “The board of trade shall (A) establish and enforce rules defining, or specifications detailing, the manner of operation of the trade execution facility maintained by the board of trade, including rules or specifications describing the operation of any electronic matching platform; and (B) demonstrate that the trade execution facility operates in accordance with the rules or specifications.”	
Designation Criterion 5 – Financial Integrity of Transactions: “The board of trade shall establish and enforce rules and procedures for ensuring the financial integrity of transactions entered into by or through the facilities of the contract market, including the clearance and settlement of the transactions with a derivatives clearing organization.”	
Designation Criterion 6 – Disciplinary Procedures: “The board of trade shall establish and enforce disciplinary procedures that authorize the board of trade to discipline, suspend, or expel members or market participants that violate the rules of the board of trade, or similar methods for performing the same functions, including delegation of the functions to third parties.”	
Designation Criterion 7 – Public Access: “The board of trade shall provide the public with access to the rules, regulations, and contract specifications of the board of trade.”	
Designation Criterion 8 – Ability to Obtain Information: “The board of trade shall establish and enforce rules that will allow the board of trade to obtain any necessary information to perform any of the functions	

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described in this subsection, including the capacity to carry out such international information-sharing agreements as the Commission may require.”	

DESIGNATED CONTRACT MARKET ANALYSIS OF COMPLIANCE WITH CEACT CORE PRINCIPLES

[APPLICANT _____]

CORE PRINCIPLE	PROPOSAL & COMMENTS
Sec. 5(d) Core Principles for Contract Markets	
Core Principle 1 – In General: “To maintain the designation as a contract market, the board of trade shall comply with the core principles specified in this subsection.”	
Core Principle 2 – Compliance with Rules: “The board of trade shall monitor and enforce compliance with the rules of the contract market, including the terms and conditions of any contracts to be traded and any limitations on access to the contract market.”	
Core Principle 3 – Contracts Not Readily Subject to Manipulation: “The board of trade shall list on the contract market only contracts that are not readily susceptible to manipulation.”	
Core Principle 4 – Monitoring of Trading: “The board of trade shall monitor trading to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process.”	
Core Principle 5 – Position Limitations or Accountability: “To reduce the potential threat of market manipulation or congestion, especially	

CORE PRINCIPLE	PROPOSAL & COMMENTS
during trading in the delivery month, the board of trade shall adopt position limitations or position accountability for speculators, where necessary and appropriate.”	
Core Principle 6 – Emergency Authority: “The board of trade shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission, where necessary and appropriate, including the authority to—(A) liquidate or transfer open positions in any contract; (B) suspend or curtail trading in any contract; and (C) require market participants in any contract to meet special margin requirements.”	
Core Principle 7 – Availability of General Information: “The board of trade shall make available to market authorities, market participants, and the public information concerning—(A) the terms and conditions of the contracts of the contract market; and (B) the mechanisms for executing transactions on or through the facilities of the contract market.”	
Core Principle 8 – Daily Publication of Trading Information: “The board of trade shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts on the contract market.”	
Core Principle 9 – Execution of Transactions: “The board of trade shall provide a competitive, open, and efficient market and mechanism for	

CORE PRINCIPLE	PROPOSAL & COMMENTS
executing transactions.”	
Core Principle 10 – Trade Information: “The board of trade shall maintain rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the contract market to use the information for purposes of assisting in the prevention of customer and market abuses and providing evidence of any violations of the rules of the contract market.”	
Core Principle 11 – Financial Integrity of Contracts: “The board of trade shall establish and enforce rules providing for the financial integrity of any contracts traded on the contract market (including the clearance and settlement of the transactions with a derivatives clearing organization), and rules to ensure the financial integrity of any futures commission merchants and introducing brokers and the protection of customer funds.”	
Core Principle 12 – Protection of Market Participants: “The board of trade shall establish and enforce rules to protect market participants from abusive practices committed by any party acting as an agent for the participants.”	
Core Principle 13 – Dispute Resolution: “The board of trade shall establish and enforce rules regarding and provide facilities for alternative dispute resolution as appropriate for market participants and any market intermediaries.”	

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Core Principle 14 – Governance Fitness Standards: “The board of trade shall establish and enforce appropriate fitness standards for directors, members of any disciplinary committee, members of the contract market, and any other persons with direct access to the facility (including any parties affiliated with any of the persons described in this paragraph).”	
Core Principle 15 – Conflicts of Interest: “The board of trade shall establish and enforce rules to minimize conflicts of interest in the decision making process of the contract market and establish a process for resolving such conflicts of interest.”	
Core Principle 16 – Composition of Boards of Mutually Owned Contract Markets: “In case of a mutually owned contract market, the board of trade shall ensure that the composition of the governing board reflects market participants.”	
Core Principle 17 – Recordkeeping: “The board of trade shall maintain records of all activities related to the business of the contract market in a form and manner acceptable to the Commission for a period of 5 years.”	
Core Principle 18 – Antitrust Considerations: “The board of trade shall endeavor to avoid— (A) adopting any rules or taking any actions that result in any unreasonable restraints of trade; or (B) imposing any material anticompetitive burden on trading on the contract market.”	