

SAMPLE REGULATORY CHART

**DERIVATIVES TRANSACTION EXECUTION FACILITY
ANALYSIS OF COMPLIANCE WITH CEACT REGISTRATION CRITERIA**

[APPLICANT _____]

DTEF REGISTRATION CRITERION	PROPOSAL & COMMENTS
<p>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.”</p>	
<p>5a(b) Requirements For Trading</p>	
<p>(1) In General. – “A registered derivatives transaction execution facility under subsection (a) may trade any contract of sale of a commodity for future delivery (or option on such a contract) on or through the facility only by satisfying the requirements of this section.”</p>	
<p>(2) Requirements For Underlying Commodities – “A registered derivatives transaction execution facility may trade any contract of sale of a commodity for future delivery (or option on such a contract) only if--</p> <p>(A) the underlying commodity has a nearly inexhaustible deliverable supply;</p> <p>(B) the underlying commodity has a deliverable supply that is sufficiently large that the contract is highly unlikely</p>	

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<p>to be susceptible to the threat of manipulation;</p> <p>(C) the underlying commodity has no cash market;</p> <p>(D)(i) the contract is a security futures product, and (ii) the registered derivatives transaction execution facility is a national securities exchange registered under the Securities Exchange Act of 1934;</p> <p>(E) the Commission determines, based on the market characteristics, surveillance history, self-regulatory record, and capacity of the facility that trading in the contract (or option) is highly unlikely to be susceptible to the threat of manipulation; or</p> <p>(F) except as provided in section 5(e)(2), the underlying commodity is a commodity other than an agricultural commodity enumerated in section 1a(4), and trading access to the facility is limited to eligible commercial entities trading for their own account.”</p>	
<p>(3) ELIGIBLE TRADERS – “To trade on a registered derivatives transaction execution facility, a person shall--</p> <p>(A) be an eligible contract participant; or</p> <p>(B) be a person trading through a futures commission merchant that--</p> <p>(i) is registered with the Commission;</p> <p>(ii) is a member of a futures self-regulatory organization or, if the person trades only security futures products on the facility, a national securities association registered under section 15A(a) of the Securities Exchange Act of 1934;</p> <p>(iii) is a clearing member of a derivatives clearing organization; and</p> <p>(iv) has net capital of at least \$20,000,000.”</p>	
<p>(4) TRADING BY CONTRACT MARKETS – “A</p>	

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<p>board of trade that is designated as a contract market shall, to the extent that the contract market also operates a registered derivatives transaction execution facility--</p> <p>(A) provide a physical location for the contract market trading of the board of trade that is separate from trading on the derivatives transaction execution facility of the board of trade; or</p> <p>(B) if the board of trade uses the same electronic trading system for trading on the contract market and derivatives transaction execution facility of the board of trade, identify whether the electronic trading is taking place on the contract market or the derivatives transaction execution facility.”</p>	
<p>Sec. 5a(c) Criteria for Registration</p>	
<p>Registration Criterion 1 – In General: “To be registered as a registered derivatives transaction execution facility, the board of trade shall be required to demonstrate to the Commission only that the board of trade meets the criteria specified in subsection (b) and this subsection.”</p>	
<p>Registration Criterion 2 – Deterrence Of Abuses: “The board of trade shall establish and enforce trading and participation rules that will deter abuses and has the capacity to detect, investigate, and enforce those rules, including means to—</p> <p>(A) obtain information necessary to perform the functions required under this section; or</p> <p>(B) use technological means to—</p> <p>(i) provide market participants with impartial access to the market; and</p> <p>(ii) capture information that may be used in establishing whether rule violations have occurred.”</p>	

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<p>Registration Criterion 3 – Trading Procedures: “The board of trade shall establish and enforce rules or terms and conditions defining, or specifications detailing, trading procedures to be used in entering and executing orders traded on the facilities of the board of trade. The rules may authorize — (A) transfer trades or office trades; (B) an exchange of — (i) futures in connection with a cash commodity transaction; (ii) futures for cash commodities; or (iii) futures for swaps; or (C) a futures commission merchant, acting as principal or agent, to enter into or confirm the execution of a contract for the purchase or sale of a commodity for future delivery if the contract is reported, recorded, or cleared in accordance with the rules of the registered derivatives transaction execution facility or a derivatives clearing organization.”</p>	
<p>Registration Criterion 4 – Financial Integrity Of Transactions: “The board of trade shall establish and enforce rules or terms and conditions providing for the financial integrity of transactions entered on or through the facilities of the board of trade, and rules or terms and conditions to ensure the financial integrity of any futures commission merchants and introducing brokers and the protection of customer funds.”</p>	