

UNITED STATES OF AMERICA  
Before the  
COMMODITY FUTURES TRADING COMMISSION

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In the Matter of the Application of  
Cantor Clearinghouse, L.P. for Registration  
As a Derivatives Clearing Organization;  
Petition for Modification of Order of Registration  
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On April 20, 2010, the Commodity Futures Trading Commission issued an Order of Registration (“Registration Order”) to Cantor Clearinghouse, L.P. (“Cantor Clearing”) as a Derivatives Clearing Organization (“DCO”). The Registration Order as issued included three conditions that limit its scope to media-related contracts, generally, and the Domestic Box Office Receipts (“DBOR”) Contract, specifically.

Condition 1 of the Registration Order provides that “Cantor shall limit its activities as a registered DCO to contracts executed on the Cantor Futures Exchange, L.P. the class or category of which shall have been approved . . . in accordance with the terms and conditions of the Commission’s order designating the Cantor Exchange as a contract market.” The condition referred to the Commission’s Order of Contract Market Designation (“Designation Order”) which requires Cantor Futures Exchange, L.P. (“Exchange”) to “submit for Commission review and approval any new class or category of contracts associated with media-related products.” Accordingly, Condition 1 of the Registration Order restricts Cantor Clearing to clear only media-related contracts that have been approved by the Commission.

Condition 2 of the Registration Order provides that Cantor Clearing shall clear only such Commission-approved, media-related contracts for which there are daily trading price limits.

Condition 3(d) provides that Cantor Clearing shall require original performance bond of 100% of contract value for long positions and the greater of \$25 or 50% of the previous day’s settlement price for each short position. Thus, Condition 3(d) of the Registration Order describes the specific margin levels that were set for the DBOR Contract, the first media-related contract approved for listing on the Exchange.

**The Requested Modification is Necessary**

Together, these three conditions of the Registration Order limit Cantor Clearing to clear only the DBOR contract, which was intended to be the first contract listed for trading on the Cantor Exchange. The Division of Clearing and Intermediary Oversight,

now the Division of Clearing and Risk (“DCR”), with Cantor Clearing’s consent, limited the scope of the Registration Order to clearing the DBOR contract based upon the plan of the Exchange and Cantor Clearing initially to list the DBOR contract and in the interest of meeting the statutory deadline to act on the application for DCO registration. However, Section 721 of the Dodd-Frank Wall Street Transparency and Accountability Act, which was enacted subsequent to the issuance of the Registration Order, excludes motion picture receipts (along with onions) from the definition of “commodity” under section 1a of the Commodity Exchange Act. As a result, the Exchange and Cantor Clearing have been required to alter their plans.

Cantor Clearing’s application for registration as a DCO was not limited in scope to clearing the DBOR contract. As noted in Cantor Clearing’s “DCO Core Principle Compliance Chart,” although Cantor Clearing intended to clear the DBOR contract initially, the submission for Registration was “of general applicability to any contracts cleared by the Clearinghouse.”<sup>1</sup> For this reason, the rules of Cantor Clearing, as proposed in its Application and as Approved by the Commission in the Registration Order are of general application and are not limited in scope to clearing of media-related contracts. As further noted in the Application for Registration as a DCO, “where issues arise in connection with the DBOR Contracts in particular, those issues or mechanisms will relate to DBOR Contracts only.”<sup>2</sup>

Similarly, the Exchange’s Application for Designation as a Contract Market was of general applicability, with the intent to permit the Exchange to list any type of futures contract. The Exchange application, like Cantor Clearing’s application, noted that the DBOR contract was intended to be the initial contract traded and further noted that the proposed rules relating to the DBOR contract had specific application to that proposed contract.<sup>3</sup> The Designation Order recognized this distinction, incorporating a condition that media-related contracts, like the DBOR contract, be submitted for Commission approval prior to listing. However, that condition of the Designation Order does not restrict the Exchange from listing other types of contracts for trading, nor does it require that such contracts be approved by the Commission.

Accordingly, the Exchange and Cantor Clearing are proceeding with plans to list for trading and to clear contracts other than the DBOR contract. The Exchange and Cantor Clearing envisioned listing these contracts on commodities other than box office receipts for trading following the introduction of the DBOR contract. The Exchange and Cantor Clearing are now ready to list for trading and to clear contracts on commodities other than box office receipts. However, the Exchange may not do so until the conditions of the Order of Registration of Cantor Clearing issued April 20, 2010 are modified.

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<sup>1</sup> See <http://www.cftc.gov/stellent/groups/public/@otherif/documents/ifdocs/cantordcocompliancechart.pdf>.

<sup>2</sup> *Id.*

<sup>3</sup> See

<http://www.cftc.gov/stellent/groups/public/@requestsandactions/documents/ifdocs/cantordcmcompliancechart.pdf>

In particular, Cantor requests that the Commission remove Condition 2 from the Order and modify Conditions 1 and 3(d) of the Order to read as follows:

- (1) Cantor shall limit its activities as a registered DCO to contracts executed on the Cantor Futures Exchange, L.P. (“Cantor Exchange”);
  - (2) (Reserved);
  - (3) \* \* \*
  - (d) Cantor shall require at all times original performance bond in an amount not less than 100% of the at-risk amounts for any contract that it clears (both long and short positions).
- \* \* \* \* \*

### **The Requested Modification is Appropriate and in the Public Interest**

The modification of the Registration Order being requested is limited in scope to permit Cantor Clearing to clear contracts on any underlying commodity that have limited risk characteristics similar to the DBOR contract, for which Cantor Clearing has been approved. As modified, Condition 3 of the Registration Order would continue to limit Cantor Clearing to clear only contracts the risk of which are fully margined. Clearing other fully margined contracts present no greater risk to the clearinghouse than clearing the DBOR contracts, which was permitted under the Registration Order. Moreover, as is currently the case, Condition 3 as modified would require Cantor Clearing to request further modification of the Registration Order prior to clearing any contract that is not fully margined.

As noted above, Cantor Clearing’s Application for Registration as a DCO, filed with the Commission on November 25, 2008 and the supplemental material in support of that application submitted through issuance of the Registration Order on April 20, 2010, demonstrates Cantor Clearing’s ability to manage the risks associated with clearing contracts that are 100% margined both long and short. In support of this Petition, Cantor Clearing hereby incorporates by reference all of the materials submitted as part of its Application for Registration as a DCO as though those materials were attached as exhibits hereto.

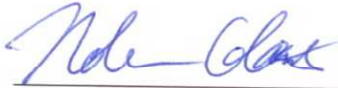
The effect of the requested modification would permit fully margined contracts to be cleared by Cantor Clearing without limitation as to the underlying commodity. This will benefit the market by enabling another venue for the trading and clearing of contracts in the U.S., creating additional competition in the trading and clearing of such products.

### **Conclusion**

Based upon the above facts and analysis and the supporting documents incorporated herein, Cantor Clearinghouse, L.P. petitions the Commodity Futures Trading Commission to modify its Order of Registration of Cantor Clearinghouse, L.P., issued April 20, 2010, by removing Condition 2 from the Registration Order and by modifying Conditions 1 and 3(d) of the Order as described above.

Respectfully submitted,

For Cantor Clearinghouse, L.P.



By: Nolan Glantz

Title: Chief Operations Officer

Dated: 7/30/2012