

**Federal Reserve**

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**Monday  
May 13, 1996**

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**Part XLVII**

**Commodity Futures  
Trading Commission**

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**Semiannual Regulatory Agenda**

**COMMODITY FUTURES TRADING COMMISSION (CFTC)**

**COMMODITY FUTURES TRADING COMMISSION**

**17 CFR Ch. I**

**Regulatory Flexibility Agenda**

**AGENCY:** Commodity Futures Trading Commission.

**ACTION:** Semiannual regulatory agenda.

**SUMMARY:** The Commodity Futures Trading Commission, in accordance with the requirements of the Regulatory Flexibility Act, is publishing a semiannual agenda of significant rules which the Commission expects to propose or promulgate over the next year. The Commission welcomes comments from small entities and others on the agenda.

**ADDRESSES:** Comments should be sent to: Gerald P. Smith, Special Assistant to the Executive Director, Commodity Futures Trading Commission, 1155 21st Street NW., Washington, DC 20581, (202) 418-5156.

**SUPPLEMENTARY INFORMATION:** The Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.* (RFA), sets forth a number of requirements for agency rulemaking. Among other things, the RFA requires that:

(a) During the months of April and October of each year, each agency shall publish in the Federal Register a regulatory flexibility agenda which shall contain:

(1) A brief description of the subject area of any rule which the agency expects to propose or promulgate which is likely to have a significant economic impact on a substantial number of small entities;

(2) A summary of the nature of any such rule under consideration for each subject area listed in the agenda pursuant to paragraph (1), the objectives and legal basis for the issuance of the rule, and an approximate schedule for completing action on any rule for which the agency has issued a general notice of proposed rulemaking; and

(3) The name and telephone number of an agency official knowledgeable

concerning the items listed in paragraph (1).

5 U.S.C. 602(a). The Commission has prepared an agenda of significant rules which it presently expects may be considered during the course of the next year, irrespective of their potential impact on small entities.<sup>1</sup>

The Commission's agenda represents its best estimate of significant rules which will be considered over the next 12 months.<sup>2</sup> In this regard, section 602(d) of the RFA, 5 U.S.C. 602(d), provides: "Nothing in [section 602] precludes an agency from considering or acting on any matter not included in a regulatory flexibility agenda or requires an agency to consider or act on any matter listed in such agenda."

The Commission's April 1996 regulatory flexibility agenda is set forth below.

Issued in Washington, DC, on March 12, 1996, by the Commission.

Jean A. Webb,  
*Secretary of the Commission.*

**Proposed Rule Stage**

Sequence Number	Title	Regulation Identifier Number
4102	Procedures for Involuntary Bulk Transfers or Liquidations of Customer Accounts .....	3038-AA77
4103	Prohibition on Voting by Interested Members .....	3038-AB03
4104	Self-Regulatory Organization Automated Systems .....	3038-AB14

**Final Rule Stage**

Sequence Number	Title	Regulation Identifier Number
4105	Risk Assessment for Holding Company Systems .....	3038-AB01
4106	Account Identification for Orders Submitted on Behalf of Multiple Customer Accounts .....	3038-AB08
4107	Ethics Training for Registrants: Proficiency Training for Providers .....	3038-AB10
4108	Minimum Financial Requirements, Prepayment of Subordinated Debt and Gross Collection of Exchange-Set Margin for Omnibus Accounts .....	3038-AB12
4109	Financial Reporting and Debt-Equity Ratio Requirements for Futures Commission Merchants and Introducing Brokers .....	3038-AB13

<sup>1</sup> The Commission has published its definition of small entity to be used by the Commission in connection with rulemaking proceedings. 47 FR 18618 (April 30, 1982). Pursuant to those definitions, the Commission is not required to list many of the agenda items contained in this regulatory flexibility agenda. See 5 U.S.C. 602(a)(1). Moreover, the Commission has previously certified, pursuant to section 605 of the RFA, 5 U.S.C. 605, that certain items contained in this agenda will not

have a significant economic impact on a substantial number of small entities. Accordingly, listing of a rule in this regulatory flexibility agenda should not in any event be taken as a determination that a rule, when proposed or promulgated, will in fact require a regulatory flexibility analysis. However, the Commission hopes that the publication of an agenda, which includes significant rules, regardless of their potential impact on small entities, may serve the public generally by providing an early and

meaningful opportunity to participate in and comment on the formulation of new or revised regulations.

<sup>2</sup> In addition to publishing the regulatory flexibility agenda, the Commission also makes available to the public, on a monthly basis, a calendar and, on a weekly basis, an advisory, which list rules that the Commission is considering or will consider in the near future.

**CFTC**

Long-Term Actions

Sequence Number	Title	Regulation Identifier Number
4110	Early Warning Reporting Requirements for Futures Commission Merchants .....	3038-AB11

Completed Actions

Sequence Number	Title	Regulation Identifier Number
4111	Ethics Training for Registrants .....	3038-AB09

**COMMODITY FUTURES TRADING COMMISSION (CFTC)**

**Proposed Rule Stage**

**4102. PROCEDURES FOR INVOLUNTARY BULK TRANSFERS OR LIQUIDATIONS OF CUSTOMER ACCOUNTS**

**Priority:** Substantive, Nonsignificant

**Legal Authority:** 7 USC 6d; 7 USC 6f; 7 USC 6g; 7 USC 6k; 7 USC 12a

**CFR Citation:** 17 CFR 1.68

**Legal Deadline:** None

**Abstract:** The CFTC will undertake a rulemaking proceeding to establish requirements concerning procedures to be followed by futures commission merchants and introducing brokers when bulk transfers or liquidations of customer accounts are made due to cessation or suspension of business or other special circumstances affecting the registrant.

**Timetable:**

Action	Date	FR Cite
NPRM	09/00/96	
NPRM Comment Period End	11/00/96	

**Small Entities Affected:** Undetermined

**Government Levels Affected:** None

**Agency Contact:** Lawrence B. Patent, Associate Chief Counsel, Division of Trading and Markets, Commodity Futures Trading Commission, 1155 21st Street NW., Washington, DC 20581 Phone: 202 418-5439

**RIN:** 3038-AA77

**4103. PROHIBITION ON VOTING BY INTERESTED MEMBERS**

**Priority:** Other Significant

**Legal Authority:** 7 USC 7a(17)

**CFR Citation:** 17 CFR 1.67

**Legal Deadline:** None

**Abstract:** The regulation will implement the provisions of section 217 of the Futures Trading Practices Act of 1992, which require contract markets to adopt rules to avoid conflicts of interest in deliberations and voting by members of the governing board and disciplinary and other oversight committees. The rulemaking will define the relationships between a named party in interest and a member of the governing board or committee that would require abstention from deliberations and voting. The rulemaking will also provide guidelines on situations that would require a member to abstain from voting on a significant action because of a substantial financial interest in the outcome of the vote, based on positions held personally or at an affiliated firm, as well as on other matters addressed by the statute. The action potentially impacts the selection and composition of contract market governing boards and committees.

**Timetable:**

Action	Date	FR Cite
NPRM	05/00/96	
NPRM Comment Period End	07/00/96	
Final Action	10/00/96	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** David P. Van Wagner, Special Counsel, Division of Trading and Markets, Commodity Futures

Trading Commission, 1155 21st Street NW., Washington, DC 20581 Phone: 202 418-5481

**RIN:** 3038-AB03

**4104. • SELF-REGULATORY ORGANIZATION AUTOMATED SYSTEMS**

**Priority:** Other Significant

**Legal Authority:** 7 USC 5; 7 USC 6; 7 USC 7; 7 USC 12; 7 USC 12a; 7 USC 21

**CFR Citation:** 17 CFR 1.68

**Legal Deadline:** None

**Abstract:** The proposed regulation would require due diligence by self-regulatory organizations (SROs) in oversight and review of automated trading systems, recordkeeping, reporting and demonstration of compliance with due diligence requirements with periodic independent reviews of systems.

**Timetable:**

Action	Date	FR Cite
NPRM	05/00/96	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Lois J. Gregory, Attorney-Advisor, Commodity Futures Trading Commission, 1155 21st Street NW., Washington, DC 20581 Phone: 202 418-5483 Fax: 202 418-5536

**RIN:** 3038-AB14

## COMMODITY FUTURES TRADING COMMISSION (CFTC)

Final Rule Stage

**4105. RISK ASSESSMENT FOR HOLDING COMPANY SYSTEMS****Priority:** Other Significant**Legal Authority:** 7 USC 6f(c)**CFR Citation:** 17 CFR 1.14; 17 CFR 1.15**Legal Deadline:** None

**Abstract:** On December 21, 1994, the Commission adopted, as phase 1 of the risk assessment rulemaking, final rules with respect to maintenance and filing of organizational charts, risk management policies, procedures and systems, and consolidated and consolidating financial statements. It also proposed "trigger" event reporting in the event of a 20 percent decline in a futures commission merchant's (FCM's) adjusted net capital. The Commission deferred action on the balance of the proposed rules, which related to reporting of position data and other data concerning FCM affiliates. With respect to the second phase of the rulemaking process, the Commission's staff will continue to work with other financial regulators, particularly the Securities and Exchange Commission, to design a reporting framework that is harmonized across regulatory structures and, to the extent possible, reflective of a consensus as to which data are most meaningful to regulators and can be provided without undue burden.

**Timetable:**

Action	Date	FR Cite
NPRM	03/01/94	59 FR 9689
NPRM Comment Period End	07/01/94	
Final Action	12/31/96	

**Risk Assessment for Holding Company Systems**

Phase I 12/28/94 (59 FR 66674)

**Small Entities Affected:** None**Government Levels Affected:** None

**Agency Contact:** Lawrence T. Eckert, Attorney Advisor, Division of Trading and Markets, Commodity Futures Trading Commission, 1155 21st Street NW., Washington, DC 20581  
Phone: 202 418-5449

**RIN:** 3038-AB01**4106. ACCOUNT IDENTIFICATION FOR ORDERS SUBMITTED ON BEHALF OF MULTIPLE CUSTOMER ACCOUNTS****Priority:** Substantive, Nonsignificant**Legal Authority:** 7 USC 7; 7 USC 7a; 7 USC 7b; 7 USC 8; 7 USC 12a; 7 USC 12c**CFR Citation:** 17 CFR 1.35**Legal Deadline:** None

**Abstract:** These rule amendments permit consolidated futures orders for multiple accounts to be placed and executed on contract markets without individual customer identification at time of entry or execution. Depending on the accounts, the person placing the order would identify accounts and either pre-file an allocation plan or certify certain facts.

**Timetable:**

Action	Date	FR Cite
NPRM	05/03/93	58 FR 26270
NPRM Comment Period End	06/17/93	
Final Action	11/00/96	
Final Action Effective	12/00/96	

**Small Entities Affected:** None**Government Levels Affected:** None

**Agency Contact:** Duane C. Andresen, Attorney Advisor, Division of Trading and Markets, Commodity Futures Trading Commission, 1155 21st Street NW., Washington, DC 20581  
Phone: 202 418-5492

**RIN:** 3038-AB08**4107. ETHICS TRAINING FOR REGISTRANTS: PROFICIENCY TRAINING FOR PROVIDERS****Priority:** Substantive, Nonsignificant**Legal Authority:** 7 USC 1a; 7 USC 6d; 7 USC 6e; 7 USC 6g; 7 USC 6m; 7 USC 6p; 7 USC 12a; 7 USC 21**CFR Citation:** 17 CFR 3.34**Legal Deadline:** None

**Abstract:** The CFTC has proposed additional amendments to its rules governing ethics training for registrants that would require that persons who seek to provide ethics training must: (1) present satisfactory evidence that they meet a proficiency testing requirement established by a registered futures association; and (2) possess a minimum of three years relevant experience. The CFTC also proposed to amend Rule 3.34 to eliminate the provision which

permits State-accredited entities to provide ethics training without being subject to the requirements pertaining to other providers under the rule.

**Timetable:**

Action	Date	FR Cite
NPRM	12/14/95	60 FR 64132
NPRM Comment Period End	01/16/96	
Final Action	04/00/96	
Final Action Effective	05/00/96	

**Small Entities Affected:** None**Government Levels Affected:** Undetermined

**Agency Contact:** Myra R. Silberstein, Attorney/Advisor, Commodity Futures Trading Commission, 1155 21st Street NW., Washington, DC 20581  
Phone: 202 418-5443

**RIN:** 3038-AB10**4108. • MINIMUM FINANCIAL REQUIREMENTS, PREPAYMENT OF SUBORDINATED DEBT AND GROSS COLLECTION OF EXCHANGE-SET MARGIN FOR OMNIBUS ACCOUNTS****Priority:** Other Significant**Legal Authority:** 7 USC 6f; 7 USC 6g; 7 USC 12a**CFR Citation:** 17 CFR 1.12; 17 CFR 1.17; 17 CFR 1.58**Legal Deadline:** None

**Abstract:** The CFTC is proposing (1) to increase the minimum dollar amount of adjusted net capital for FCMs and IBs to \$250,000 and \$30,000, respectively; (2) to codify a staff no-action letter which provides generally that prepayment of subordinated debt by FCMs and IBs need be approved only by a firm's designated self-regulatory organization and not also be the CFTC (although CFTC approval would be required if the prepayment would result in a reduction of 20 percent or more of a firm's adjusted net capital); and (3) to require that omnibus accounts carried by FCMs for foreign brokers be margined on a gross basis. These proposals are intended to conform Commission rules with those of industry self-regulatory organizations and codify an existing staff interpretation.

**Timetable:**

Action	Date	FR Cite
NPRM	12/13/95	60 FR 63995

## CFTC

## Final Rule Stage

Action	Date	FR Cite
NPRM Comment Period End	01/12/96	
Final Action	05/00/96	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Lawrence B. Patent, Associate Chief Counsel, Commodity Futures Trading Commission, 1155 21st Street NW., Washington, DC 20581  
Phone: 202 418-5439

**RIN:** 3038-AB12

#### 4109. • FINANCIAL REPORTING AND DEBT-EQUITY RATIO REQUIREMENTS FOR FUTURES COMMISSION MERCHANTS AND INTRODUCING BROKERS

**Priority:** Other Significant

**Legal Authority:** 17 USC 6f; 17 USC 6g; 17 USC 12a

**CFR Citation:** 17 CFR 1.10; 17 CFR 1.12; 17 CFR 1.17; 17 CFR 1.18; 17 CFR 1.52; 17 CFR 3.33; 17 CFR 145.5; 17 CFR 147.3

**Legal Deadline:** None

**Abstract:** The CFTC is proposing: (1) to amend its financial reporting cycle such that, among other things, FCMs and IBs would be required to submit unaudited financial reports within 17 business days, and certified year-end financial reports within 60 calendar days, of the "as of" date of the report (currently 45 calendar days and 90 calendar days are permitted, respectively); and (2) to amend its debt-equity ratio rule such that the 30 percent minimum equity requirement would apply to all of a firm's capital, rather than only to that portion of a firm's capital necessary to meet the minimum financial requirement. The proposals follow discussions at a capital roundtable held in September 1995 where it was suggested that the

CFTC explore ways to further harmonize its financial rules with those of the Securities and Exchange Commission. These proposals would achieve that objective and the CFTC also believes that it is appropriate to propose these amendments given the speed and complex nature of today's financial markets.

**Timetable:**

Action	Date	FR Cite
NPRM	02/26/96	61 FR 7080
NPRM Comment Period End	03/27/96	
Final Action	09/00/96	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Lawrence B. Patent, Associate Chief Counsel, Commodity Futures Trading Commission, 1155 21st Street NW., Washington, DC 20581  
Phone: 202 418-5439

**RIN:** 3038-AB13

## COMMODITY FUTURES TRADING COMMISSION (CFTC)

## Long-Term Actions

#### 4110. • EARLY WARNING REPORTING REQUIREMENTS FOR FUTURES COMMISSION MERCHANTS

**Priority:** Other Significant

**Legal Authority:** 7 USC 6f; 7 USC 6g; 7 USC 12a

**CFR Citation:** 17 CFR 1.12

**Legal Deadline:** None

**Abstract:** The CFTC is proposing to amend its early warning reporting requirements (Rule 1.12) in three respects. First, the CFTC would extend to all futures commission merchants (FCMs) the requirement to report any reduction in adjusted net capital in excess of 20 percent of the amount of

adjusted net capital in its last financial report. Currently, this requirement is only applicable to FCMs subject to the CFTC's risk assessment reporting requirements. The CFTC is also proposing two new early warning notice requirements for all FCMs, which would require an FCM to report: (a) a margin call that exceeds its excess adjusted net capital which remains unanswered by the close of business on the day following issuance of the call; and (2) whenever its excess adjusted net capital is less than six percent of the maintenance margin required to support proprietary and non-customer positions carried by the FCM.

**Timetable:**

Action	Date	FR Cite
NPRM	12/28/94	59 FR 66822
NPRM Comment Period End	02/27/95	60 FR 7925
Next Action	Undetermined	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Lawrence B. Patent, Associate Chief Counsel, Commodity Futures Trading Commission, 1155 21st Street NW., Washington, DC 20581  
Phone: 202 418-5439

**RIN:** 3038-AB11

## COMMODITY FUTURES TRADING COMMISSION (CFTC)

## Completed Actions

#### 4111. ETHICS TRAINING FOR REGISTRANTS

**Priority:** Substantive, Nonsignificant

**CFR Citation:** 17 CFR 3.34

**Completed:**

Reason	Date	FR Cite
Final Action	12/13/95	60 FR 63907
Final Action Effective	01/12/96	

**Small Entities Affected:** None

**Government Levels Affected:** None

**Agency Contact:** Lawrence B. Patent

Phone: 202 418-5439

**RIN:** 3038-AB09

[FR Doc. 96-6556 Filed 05-10-96; 8:45 am]

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