

## Commodity Futures Trading Commission

§ 19.00

on futures markets at the expressed intent and for the sole benefit of clients.

### *Managing Client Swaps Exposure*

Reducing risk stemming from holding or executing swaps contracts on behalf of clients or customers through the use of futures/options on futures markets.

E.g. You sell crude oil swaps to a client and agree to accept the risk inherent in the index price. You offset this risk through purchases of crude oil futures, in effect transferring price risk from the client to another market participant.

### *Making Markets/Providing Liquidity*

Engaging in derivatives transactions to assume risk and help transfer ownership of derivative positions from one market participant to another, realizing the bid-ask spread as the return.

E.g. You accept risk by buying and selling futures/options on futures contracts so that other traders can move into and out of positions when they wish. You then find other traders willing to take the other side of those transactions.

### *Arbitrage*

Using derivative markets as part of a strategy designed to realize risk-free profit from pricing anomalies.

E.g. You realize that the wheat futures contract is trading at a discount (even after considering storage, transport, etc.) relative to the wheat cash price, and therefore find it profitable to purchase the wheat futures contract, take delivery, and then resell the wheat in the cash market for a risk-free profit.

### *Establishing Price Exposure*

Using derivative markets as a way to express your belief in the future movement of market prices. This strategy does not involve offsetting risks incidental to your business, but instead involves directional trading.

E.g. You conduct research and believe that crude oil prices are due to rise, so you take long futures positions in crude oil to profit from your predictions.

### *Financial Asset Management*

Using derivatives to diversify, rebalance, or otherwise allocate financial assets so that risks to the value of the investment portfolio are reduced. This strategy is used by entities such as pension funds and endowments to manage overall risk to their financial portfolios.

E.g. You hold Treasury bonds as a component of your investment portfolio, and use futures contracts to reduce overall portfolio risk that would result from falling bond prices.

### *Managing Proprietary Swaps Exposure*

Reducing risk stemming from your proprietary holding or execution of swaps contracts through the use of futures/options on futures markets.

E.g. You trade interest rate swaps as part of your business or investment strategy, and offset some of the risk inherent in those swaps through your use of Eurodollar futures markets.

### *Other: Specify*

List and explain your business purpose if the above categories do not adequately describe the reason you trade in a particular commodity derivative market.

[78 FR 69259, Nov. 18, 2013]

## **PART 19—REPORTS BY PERSONS HOLDING BONA FIDE HEDGE POSITIONS PURSUANT TO § 1.3(z) OF THIS CHAPTER AND BY MERCHANTS AND DEALERS IN COTTON**

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19.00 General provisions.

19.01 Reports on stocks and fixed price purchases and sales pertaining to futures positions in wheat, corn, oats, soybeans, soybean oil, soybean meal or cotton.

19.02 Reports pertaining to cotton call purchases and sales.

19.03–19.10 [Reserved]

AUTHORITY: 7 U.S.C. 6g(a), 6i, and 12a(5), as amended by Title XIII of the Food, Conservation and Energy Act of 2008, Public Law 110–246, 122 Stat. 1624 (June 18, 2008), unless otherwise noted.

SOURCE: 43 FR 45828, Oct. 4, 1978; 46 FR 63036, Dec. 30, 1981, unless otherwise noted.

### **§ 19.00 General provisions.**

(a) *Who must file series '04 reports.* The following persons are required to file series '04 reports:

(1) All persons holding or controlling futures and option positions that are reportable pursuant to §15.00(p)(2) of this chapter and any part of which constitute bona fide hedging positions as defined in §1.3(z) of this chapter;

(2) Merchants and dealers of cotton holding or controlling positions for futures delivery in cotton that are reportable pursuant to §15.00(p)(1)(i) of this chapter, or

(3) All persons holding or controlling positions for future delivery that are reportable pursuant to §15.00(p)(1) of

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this chapter who have received a special call for series '04 reports from the Commission or its designee. Filings in response to a special call shall be made within one business day of receipt of the special call unless otherwise specified in the call. For the purposes of this paragraph, the Commission hereby delegates to the Director of the Division of Market Oversight, or to such other person designated by the Director, authority to issue calls for series '04 reports.

(b) *Manner of reporting.* The manner of reporting the information required in § 19.01 is subject to the following:

(1) *Excluding products or byproducts of the cash commodity hedged.* If the regular business practice of the reporting trader is to exclude certain products or byproducts in determining his cash positions for bona fide hedging (as defined in § 1.3(z) of this chapter), the same shall be excluded in the report. Such persons shall furnish to the Commission upon request detailed information concerning the kind and quantity of product or byproduct so excluded.

(2) *Cross hedges.* Cash positions that represent a commodity or products or byproducts of a commodity that is different from the commodity for future delivery in which such cash position is being hedged shall be shown both in terms of the commodity for future delivery and in terms of the cash commodity as provided for on the appropriate series '04 form.

(3) *Standards and conversion factors.* In computing their cash position, every person shall use such standards and conversion factors that are usual in the particular trade or that otherwise reflect the value-fluctuation-equivalents of the cash position in terms of the commodity for future delivery. Such person shall furnish to the Commission upon request detailed information concerning the basis for and derivation of such conversion factors.

(Approved by the Office of Management and Budget under control number 3038-0009)

[43 FR 45828, Oct. 4, 1978, as amended at 46 FR 63036, Dec. 30, 1981; 56 FR 14194, Apr. 8, 1991; 57 FR 41390, Sept. 10, 1992; 62 FR 6114, Feb. 11, 1997; 62 FR 13301, Mar. 20, 1997; 71 FR 37821, July 3, 2006; 74 FR 12192, Mar. 23, 2009]

### § 19.01 Reports on stocks and fixed price purchases and sales pertaining to futures positions in wheat, corn, oats, soybeans, soybean oil, soybean meal or cotton.

(a) *Information required.* Persons required to file '04 reports under § 19.00(a)(1) or § 19.00(a)(3) of this chapter shall file CFTC Form 304 reports for cotton and Form 204 reports for other commodities showing the composition of the fixed price cash position of each commodity hedged including:

(1) The quantity of stocks owned of such commodities and their products and byproducts.

(2) The quantity of fixed price purchase commitments open in such cash commodities and their products and byproducts.

(3) The quantity of fixed price sale commitments open in such cash commodities and their products and byproducts; and in addition for cotton.

(4) The quantity of equity in cotton held by the Commodity Credit Corporation under the provisions of the Upland Cotton Program of the Agricultural Stabilization and Conservation Service of the U.S. Department of Agriculture.

(5) The quantity of certificated cotton owned.

(b) *Time and place of filing reports—* Except for reports filed in response to special calls made under § 19.00(a)(3), each report shall be made monthly, as of the close of business on the last Friday of the month, and filed at the appropriate Commission office specified in paragraph (b)(1) or (2) of this section not later than the second business day following the date of the report in the case of the 304 report and not later than the third business day following the date of the report in the case of the 204 report. Reports may be transmitted by facsimile or, alternatively, information on the form may be reported to the appropriate Commission office by telephone and the report mailed to the same office, not later than midnight of its due date.

(1) CFTC Form 204 reports with respect to transactions in wheat, corn, oats, soybeans, soybean meal and soybean oil should be sent to the Commission's office in Chicago, IL, unless otherwise specifically authorized by the Commission or its designee.

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(2) CFTC Form 304 reports with respect to transactions in cotton should be sent to the Commission's office in New York, NY, unless otherwise specifically authorized by the Commission or its designee.

(Approved by the Office of Management and Budget under control number 3038-0009)

[43 FR 45828, Oct. 4, 1978, as amended at 46 FR 63036, Dec. 30, 1981; 57 FR 41390, Sept. 10, 1992; 71 FR 37821, July 3, 2006; 74 FR 12192, Mar. 23, 2009]

### § 19.02 Reports pertaining to cotton call purchases and sales.

(a) *Information required.* Persons required to file '04 reports under § 19.00(a)(2) of this chapter shall file CFTC Form 304 reports showing the quantity of call cotton bought or sold on which the price has not been fixed, together with the respective futures on which the purchase or sale is based. As used herein, call cotton refers to spot cotton bought or sold, or contracted for purchase or sale at a price to be fixed later based upon a specified future.

(b) *Time and place of filing reports.* Each report shall be made weekly as of the close of business on Friday and filed at the Commission's office in New York, NY, not later than the second business day following the date of the report. Reports may be transmitted by facsimile or, alternatively, information on the form may be reported to the appropriate Commission office by telephone and the report mailed to the same office, not later than midnight of its due date.

[57 FR 41391, Sept. 10, 1992]

### §§ 19.03–19.10 [Reserved]

## PART 20—LARGE TRADER REPORTING FOR PHYSICAL COMMODITY SWAPS

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20.8 Delegation of authority to the Director of the Division of Market Oversight.

20.9 Sunset provision.

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APPENDIX A TO PART 20—GUIDELINES ON FUTURES EQUIVALENCY

APPENDIX B TO PART 20—EXPLANATORY GUIDANCE ON DATA RECORD LAYOUTS

AUTHORITY: 7 U.S.C. 1a, 2, 5, 6, 6a, 6c, 6f, 6g, 6t, 12a, 19, as amended by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, 124 Stat. 1376 (2010).

SOURCE: 76 FR 43862, July 22, 2011, unless otherwise noted.

### § 20.1 Definitions.

As used in, and solely for the purposes of, this part:

*Business day* means “business day” as that term is defined in § 1.3 of this chapter.

*Cleared product* means a paired swap or swaption that a clearing organization offers or accepts for clearing.

*Clearing member* means any person who is a member of, or enjoys the privilege of, clearing trades in its own name through a clearing organization.

*Clearing organization* means the person or organization that acts as a medium between clearing members for the purpose of clearing swaps or swaptions or effecting settlements of swaps or swaptions.

*Closed swap or closed swaption* means a swap or swaption that has been settled, exercised, closed out or terminated.

*Commodity reference price* means the price series (including derivatives contract and cash market prices or price indices) used by the parties to a swap or swaption to determine payments made, exchanged, or accrued under the terms of the contracts.

*Counterparty* means, from the perspective of one side to a contract, the person that is the direct legal counterparty corresponding to the other side of the contract.

*Clearing member customer* means any person for whom a reporting entity clears a swap or swaption position.

*Futures equivalent* means an economically equivalent amount of one or more futures contracts that represents a position or transaction in one or more paired swaps or swaptions consistent