

106TH CONGRESS
2D SESSION

S. 2772

To amend the securities laws to provide for regulatory parity for single stock futures, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 22, 2000

Mr. SCHUMER introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the securities laws to provide for regulatory parity for single stock futures, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **TITLE I—SHORT TITLE**

4 This Act may be cited as the “Regulatory Parity for
5 Single Stock Futures Act of 2000”.

1 **TITLE II—SECURITIES ACTS**
2 **AMENDMENTS**

3 **SEC. 201. DEFINITIONS UNDER THE SECURITIES EX-**
4 **CHANGE ACT OF 1934.**

5 Section 3(a) of the Securities Exchange Act of 1934
6 (15 U.S.C. 78c(a)) is amended—

7 (1) in paragraph (10), by inserting “security
8 future,” between “treasury stock,” and “bond”;

9 (2) by striking paragraph (11) and inserting
10 the following:

11 “(11) The term ‘equity security’ means any
12 stock or similar security; or any security future; or
13 any security convertible, with or without consider-
14 ation, into such a security, or carrying any warrant
15 or right to subscribe to or purchase such a security;
16 or any such warrant or right; or any put, call, strad-
17 dle, option, or privilege on any such security; or any
18 other security which the Commission shall deem to
19 be of similar nature and consider necessary or ap-
20 propriate, by such rules and regulations as it may
21 prescribe in the public interest or for the protection
22 of investors, to treat as an equity security.”;

23 (3) in paragraph (13), by adding at the end the
24 following: “For security future products, this in-

1 includes any contract, agreement, or transaction for
2 future delivery.”;

3 (4) in paragraph (14), by adding at the end the
4 following: “For security future products, this in-
5 cludes any contract, agreement, or transaction for
6 future delivery.”; and

7 (5) by adding at the end the following:

8 “(55)(A) The term ‘security future’ means a
9 contract of sale for future delivery of a single secu-
10 rity or of a narrow-based security index, including
11 any interest therein or based on the value thereof.

12 “(B) A ‘narrow-based security index’ is an
13 index—

14 “(i) that has 10 or fewer component secu-
15 rities;

16 “(ii) in which the securities of a single
17 issuer account on average, over the six-month
18 period ending on the date equity options expire
19 in June of each year and over the six-month pe-
20 riod ending on the date equity options expire in
21 December of each year, for more than 10 per-
22 cent of the market capitalization of that index;

23 “(iii) in which the securities of a single
24 issuer in a price-weighted (or other non-capital-
25 ization weighted) index account on average,

1 over the six-month period ending on the date
2 equity options expire in June of each year and
3 over the six-month period ending on the date
4 equity options expire in December of each year,
5 for more than three times their weight in the
6 index if calculated on a market-capitalization
7 basis;

8 “(iv) in which any component security has
9 an average daily trading volume value of less
10 than \$1 million or an aggregate market value
11 of the voting and non-voting common equity
12 held by non-affiliates of less than \$150 million;

13 “(v) in which the average correlation of the
14 securities in the index to the index itself is
15 greater than 0.6 over the six-month period end-
16 ing on the date equity options expire in June of
17 each year and over the six-month period ending
18 on the date equity options expire in December
19 of each year; or

20 “(vi) in which the correlation of any secu-
21 rity in the index to the index itself is greater
22 than 0.9 over the six-month period ending on
23 the date equity options expire in June of each
24 year and over the six-month period ending on

1 the date equity options expire in December of
2 each year.

3 “(C) The term ‘security future product’ means
4 a security future or any put, call, straddle, option,
5 or privilege on any security future.

6 “(56)(A) The term ‘margin’, when used with
7 respect to a security future product, means the
8 amount, type, and form of collateral required to se-
9 cure any extension, maintenance, or arrangement of
10 the extension or maintenance of credit, or the
11 amount of collateral required as a performance bond
12 related to the purchase, sale, or carrying of a secu-
13 rity future product, and all other uses of collateral
14 related to the purchasing, selling, or carrying of a
15 security future product.

16 “(B) The terms ‘margin level’ and ‘level of mar-
17 gin’, when used with respect to a security future
18 product, mean the amount of collateral required to
19 secure any extension, maintenance, or arrangement
20 of the extension or maintenance of credit, or the
21 amount of collateral required as a performance
22 bond, related to the purchase, sale, or carrying of a
23 security future product.

24 “(C) The terms ‘higher margin level’ and ‘high-
25 er level of margin’, when used with respect to a se-

1 security future product, mean a margin level estab-
2 lished by a national securities exchange or a national
3 securities association that is higher than the min-
4 imum amount established jointly by the Commission
5 and the Commodity Futures Trading Commission
6 pursuant to section 7(c)(1)(C)(ii).”.

7 **SEC. 202. REGULATORY RELIEF FOR MARKETS TRADING**
8 **SECURITY FUTURE PRODUCTS.**

9 (a) EXPEDITED REGISTRATION AND EXEMPTION.—

10 Section 6 of the Securities Exchange Act of 1934 (15
11 U.S.C. 78f) is amended by adding at the end the following:

12 “(g)(1) An exchange that lists or trades security fu-
13 ture products may be registered as a national securities
14 exchange solely for the purposes of trading security future
15 products if (A) it is a board of trade, as that term is de-
16 fined by the Commodity Exchange Act (7 U.S.C. 1a(1)),
17 that has been designated a contract market by the Com-
18 modity Futures Trading Commission and is not subject
19 to a suspension order by the Commodity Futures Trading
20 Commission, and (B) such exchange does not serve as a
21 market place for securities other than security future
22 products, or futures on exempted securities or groups or
23 indexes of securities that have been authorized by Com-
24 modity Futures Trading Commission order or options
25 thereon.

1 “(2)(A) An exchange required to register only be-
2 cause it lists or trades security future products may reg-
3 ister for purposes of this section by filing with the Com-
4 mission a written notice in such form as the Commission,
5 by rule, may prescribe containing the rules of the exchange
6 and such other information and documents concerning
7 such exchange as the Commission, by rule, may prescribe
8 as necessary or appropriate in the public interest or for
9 the protection of investors.

10 “(B) Such registration shall be effective immediately
11 upon filing of the written notice with the Commission.
12 Such registration shall not be effective if the exchange
13 were so registered, its registration would be subject to sus-
14 pension or revocation.

15 “(C) Such registration shall be terminated imme-
16 diately if any of the conditions for registration set forth
17 in this subsection are no longer satisfied.

18 “(3) The Commission shall make available to the
19 public all notices it receives under this subsection.

20 “(4)(A) An exchange that is registered under para-
21 graph (1) of this subsection shall be exempt from and shall
22 not be required to enforce compliance by its members with,
23 and its members shall not, solely with respect to those
24 transactions effected on such exchange in security future

1 products, be required to comply with, the following provi-
2 sions of this title and the rules thereunder.

3 “(i) subsections (b)(2), (b)(3), (b)(4), (b)(7),
4 (b)(9), (c), (d), and (e) of section 6;

5 “(ii) section 11;

6 “(iii) subsection (d) and (f) of section 17; and

7 “(iv) subsection (a), (f), and (h) of section 19.

8 “(B) An exchange that is subject to the registration
9 requirement of paragraph (1) of this subsection shall also
10 be exempt from submitting proposed rule changes pursu-
11 ant to section 19(b) of this title, except that:

12 “(i) it shall file proposed rule changes related to
13 higher margin levels, fraud or manipulation, record-
14 keeping, reporting, listing standards of security fu-
15 ture products, or sales practices for persons who ef-
16 fect transactions in security future products or rules
17 primarily related to its obligation to enforce the se-
18 curities laws pursuant to section 19(b)(7);

19 “(ii) it shall file pursuant to sections 19(b)(1)
20 and 19(b)(2) proposed rule changes related to mar-
21 gin, except for changes to higher margin levels; and

22 “(iii) it shall file pursuant to section 19(b)(1)
23 proposed rule changes that have been abrogated by
24 the Commission pursuant to section 19(b)(7)(C).

1 “(5) No exchange that is registered under paragraph
2 (1) of this subsection shall trade any security future prod-
3 uct until the National Futures Association has met the
4 requirements set forth in section 15A(k)(2) of this title.”.

5 (b) COMMISSION REVIEW OF PROPOSED RULE
6 CHANGES.—

7 (1) EXPEDITED REVIEW.—Section 19(b) of the
8 Securities Exchange Act of 1934 (15 U.S.C. 78s(b))
9 is amended by adding at the end the following:

10 “(7)(A) A self-regulatory organization that is
11 an exchange registered with the Commission pursu-
12 ant to section 6(g) of this title or that is the Na-
13 tional Futures Association shall file with the Com-
14 mission, in accordance with such rules as the Com-
15 mission may prescribe, copies of any proposed rule
16 change or any proposed change in, addition to, or
17 deletion from the rules of such self-regulatory orga-
18 nization (hereinafter in this subsection collectively
19 referred to as a ‘proposed rule change’) that relates
20 to higher margin levels, fraud or manipulation, rec-
21 ordkeeping, reporting, listing standards of security
22 future products, or sales practices for persons who
23 effect transactions in security future products or
24 rules primarily related to its obligation to enforce
25 the securities laws. Such proposed rule change shall

1 be accompanied by a concise general statement of
2 the basis and purpose of such proposed rule change.
3 The Commission shall, upon the filing of any pro-
4 posed rule change, publish notice thereof together
5 with the terms of substance of the proposed rule
6 change or a description of the subjects and issues in-
7 volved. The Commission shall give interested persons
8 an opportunity to submit written data, views, and
9 arguments concerning such proposed rule change.

10 “(B) A proposed rule change filed with the
11 Commission pursuant to subparagraph (A) must be
12 filed concurrently with the Commodity Futures
13 Trading Commission. Such proposed rule change
14 may take effect upon a determination by the Com-
15 modity Futures Trading Commission that review of
16 the proposed rule change is not necessary or upon
17 approval of the proposed rule change by the Com-
18 modity Futures Trading Commission.

19 “(C) Any proposed rule change of a self-regu-
20 latory organization that has taken effect pursuant to
21 subparagraph (B) may be enforced by such self-reg-
22 ulatory organization to the extent it is not incon-
23 sistent with the provisions of this title, the rules and
24 regulations thereunder, and applicable Federal and
25 State law. At any time within sixty days of the date

1 the Commodity Futures Trading Commission deter-
2 mines that review of such proposed rule change is
3 not necessary or the date the Commodity Futures
4 Trading Commission approves such proposed rule
5 change, the Commission summarily may abrogate
6 the proposed rule change and require that the pro-
7 posed rule change be refiled in accordance with the
8 provisions of section 19(b)(1), if it appears to the
9 Commission that such proposed rule change unduly
10 burdens competition, conflicts with the securities
11 laws, or does not promote efficiency. Commission ac-
12 tion pursuant to the preceding sentence shall not af-
13 fect the validity or force of the rule change during
14 the period it was in effect and shall not be review-
15 able under section 25 nor deemed to be a final agen-
16 cy action for purposes of section 704 of title 5,
17 United States Code.

18 (“D) Within thirty-five days of the date of pub-
19 lication of notice of the filing of a proposed rule
20 change that is abrogated in accordance with sub-
21 paragraph (C) and refiled in accordance with section
22 19(b)(1), or within such longer period as the Com-
23 mission may designate up to ninety days after such
24 date if it finds such longer period to be appropriate
25 and publishes its reasons for so finding or as to

1 which the self-regulatory organization consents, the
2 Commission shall—

3 “(i) by order approve such proposed rule
4 change, or

5 “(ii) institute proceedings to determine
6 whether the proposed rule change should be dis-
7 approved. Such proceedings shall include notice
8 of the grounds for disapproval under consider-
9 ation and opportunity for hearing and be con-
10 cluded within one hundred eighty days of the
11 date of publication of notice of the filing of the
12 proposed rule change. At the conclusion of such
13 proceedings the Commission, by order, shall ap-
14 prove or disapprove such proposed rule change.
15 The Commission may extend the time for con-
16 clusion of such proceedings for up to sixty days
17 if it finds good cause for such extension and
18 publishes its reasons for so finding or for such
19 longer period as to which the self-regulatory or-
20 ganization consents.

21 The Commission shall approve a proposed rule
22 change of a self-regulatory organization if it finds
23 that such proposed rule change promotes efficiency,
24 does not unduly burden competition, and does not
25 conflict with the securities laws. The Commission

1 shall disapprove a proposed rule change of a self-
2 regulatory organization if it does not make such
3 finding. The Commission shall not approve any pro-
4 posed rule change prior to the thirtieth day after the
5 date of publication of notice of the filing thereof, un-
6 less the Commission finds good cause for so doing
7 and publishes its reasons for so finding.”.

8 (2) CONSULTATION PROVISIONS.—Section 19(b)
9 of the Securities Exchange Act of 1934 (15 U.S.C.
10 78s(b)) is amended by adding after paragraph (7),
11 as added by this Act, the following:

12 “(8)(A) The Commission shall consult with and
13 consider the views of the Commodity Futures Trad-
14 ing Commission prior to approving a proposed rule
15 change filed by a national securities association reg-
16 istered pursuant to section 15(A)(a) or a national
17 securities exchange subject to the provisions of sec-
18 tion 19(a) that primarily concerns conduct related to
19 transactions in security futures products, except
20 where the Commission determines that an emer-
21 gency exists requiring expeditious or summary action
22 and publishes its reasons therefore. If the Com-
23 modity Futures Trading Commission comments in
24 writing to the Commission on a proposed rule that
25 has been published for comment, the Commission

1 shall respond in writing to such written comment be-
2 fore approving the proposed rule. If the Commodity
3 Futures Trading Commission determines, and noti-
4 fies the Commission, that such rule, if implemented,
5 would, or as applied: (i) adversely affect the liquidity
6 or efficiency of the market for security future prod-
7 ucts; or (ii) impose any burden on competition not
8 necessary or appropriate in furtherance of the pur-
9 poses of this section, the Commission shall, prior to
10 adopting the proposed rule, find that such rule is
11 necessary and appropriate in furtherance of the pur-
12 poses of this section notwithstanding the Commodity
13 Futures Trading Commission's determination.

14 “(B) In approving rules described in subpara-
15 graph (A), the Commission shall consider the suffi-
16 ciency and appropriateness of then existing laws and
17 rules applicable to security futures products.”.

18 (c) REVIEW OF DISCIPLINARY PROCEEDINGS.—Sec-
19 tion 19(d) of the Securities Exchange Act of 1934 (15
20 U.S.C. 78s(d)) is amended by adding at the end the fol-
21 lowing:

22 “(3) The provisions of section 19(d) shall apply
23 to an exchange registered pursuant to section 6(g)
24 of this title or the National Futures Association only
25 to the extent that such self-regulatory organization

1 imposes any final disciplinary sanction related to a
2 security future product or the securities laws.”.

3 **SEC. 203. REGULATORY RELIEF FOR INTERMEDIARIES**

4 **TRADING SECURITY FUTURE PRODUCTS.**

5 (a) EXPEDITED REGISTRATION AND EXEMPTIONS.—

6 (1) Section 15(b) of the Securities Exchange
7 Act of 1934 (15 U.S.C. 78o(b)) is amended by add-
8 ing at the end of the following:

9 “(11)(A)(i) A broker or dealer required to reg-
10 ister only because it effects transactions in security
11 future products on an exchange registered pursuant
12 to section 6(g) may register for purposes of this sec-
13 tion by filing with the Commission a written notice
14 in such form and containing such information con-
15 cerning such broker or dealer and any persons asso-
16 ciated with such broker or dealer as the Commission,
17 by rule, may prescribe as necessary or appropriate
18 in the public interest or for the protection of inves-
19 tors, if that broker or dealer is a member of the
20 National Futures Association.

21 “(ii) Such registration shall be effective imme-
22 diately upon filing of the written notice with the
23 Commission. Such registration shall not be effective
24 if the applicant were so registered, its registration

1 would be subject to suspension or revocation under
2 paragraph (4).

3 “(iii) Such registration shall be suspended im-
4 mediately if the National Futures Association sus-
5 pends the membership of that broker or dealer.

6 “(iv) Such registration shall be terminated im-
7 mediately if any of the above stated conditions for
8 registration set forth in this paragraph are no longer
9 satisfied.

10 “(B) A broker or dealer registered pursuant to
11 the requirements of subparagraph (A) shall be ex-
12 empt from the following provisions of this title and
13 the rules thereunder with respect to transactions in
14 security future products:

15 “(i) section 8;

16 “(ii) subsection (a) of section 10;

17 “(iii) section 11;

18 “(iv) subsection (c)(3) of section 15;

19 “(v) section 15B;

20 “(vi) section 15C; and

21 “(vii) subsections (d), (e), (f)(g), and (h)
22 of section 17.

23 The Commission, by rule, regulation, or order, also
24 may conditionally or unconditionally exempt any
25 broker or dealer from any other requirement of this

1 title related to security future products, to the ex-
2 tent that such exemption is necessary or appropriate
3 in the public interest, and is consistent with the pro-
4 tection of investors.”; and

5 (2) Section 28(e) of the Securities Exchange
6 Act of 1934 (15 U.S.C. 78bb(e)) is amended by add-
7 ing at the end the following:

8 “(4) The provisions of subsection (e) shall not
9 apply with regard to securities that are security fu-
10 ture products.”.

11 (b) FLOOR BROKERS.—Section 15(b) of the Securi-
12 ties Exchange Act of 1934 (15 U.S.C. 78o(b)) is amended
13 by adding after paragraph (11), as added by this Act, the
14 following:

15 “(12)(A) A natural person shall be exempt from
16 the registration requirements of this section if such
17 person:

18 “(i) is a member of a designated contract
19 market registered with the Commission as an
20 exchange pursuant to section 6(g);

21 “(ii) only effects transactions in securities
22 of the exchange of which he is a member; and

23 “(iii) has no direct contact with public cus-
24 tomers.

1 “(B) A natural person exempt from registration
 2 pursuant to subparagraph (A) shall also be exempt
 3 from the following provisions of this title and the
 4 rules thereunder:

5 “(i) section 8;

6 “(ii) subsection (a) of section 10;

7 “(iii) section 11;

8 “(iv) subsection (c)(3) of section 15;

9 “(v) section 15B;

10 “(vi) section 15C; and

11 “(vii) subsections (d), (e), (f)(g), and (h)
 12 of section 17.”.

13 (c) LIMITED PURPOSE NATIONAL SECURITIES ASSO-
 14 CIATION.—Section 15A of the Securities Exchange Act of
 15 1934 (15 U.S.C. 78o–3) is amended by adding at the end
 16 of the following:

17 “(k)(1) The National Futures Association shall be a
 18 registered national securities association for the limited
 19 purpose of regulating the activities of members who are
 20 registered as brokers or dealers in security future products
 21 pursuant to section 15(b)(11).

22 “(2) The National Futures Association shall—

23 “(A) be so organized and have the capacity to
 24 carry out the purposes of the securities laws applica-
 25 ble to security future products and to comply, and

1 (subject to any rule or order of the Commission pur-
2 suant to section 19(g)(2)) to enforce compliance by
3 its members and persons associated with its mem-
4 bers, with the provisions of the securities laws appli-
5 cable to security future products, the rules and regu-
6 lations thereunder, and the rules of the National Fu-
7 tures Association;

8 “(B) have rules that are designed to prevent
9 fraudulent and manipulative acts and practices, to
10 promote just and equitable principles of trade, and,
11 in general, to protect investors and the public inter-
12 est; and are not designed to regulate by virtue of
13 any authority conferred by this title matters not re-
14 lated to the purposes of this title or the administra-
15 tion of the association;

16 “(C) have rules that provide that (subject to
17 any rule or order of the Commission pursuant to
18 section 19(g)(2)) its members and persons associ-
19 ated with its members shall be appropriately dis-
20 ciplined for violation of any provision of the securi-
21 ties laws applicable to security future products, the
22 rules or regulations thereunder, or the rules of the
23 association, by expulsion, suspension, limitation of
24 activities, functions, and operations, fine, censure,

1 being suspended or barred from being associated
2 with a member, or any other fitting sanction;

3 “(D) have rules that ensure that members and
4 natural persons associated with members meet such
5 standards of training, experience, and competence
6 necessary to effect transactions in security future
7 products and are tested for their knowledge of secu-
8 rities and security future products; and

9 “(E) have rules governing sales practices and
10 the advertising of security future products com-
11 parable to those of other national securities associa-
12 tions registered pursuant to section 15A(a).

13 “(3) The National Futures Association shall be ex-
14 empt from submitting proposed rule changes pursuant to
15 section 19(b) of this title, except that:

16 “(A) it shall file proposed rule changes related
17 to higher margin levels, fraud or manipulation, rec-
18 ordkeeping, reporting, listing of standards of secu-
19 rity future products, or sales practices or standards
20 of training, experience, competence, or other quali-
21 fications for persons who effect transactions in secu-
22 rity future products or rules primarily related to its
23 obligation to enforce the securities laws pursuant to
24 section 19(b)(7).

1 “(B) it shall file pursuant to sections 19(b)(1)
2 and 19(b)(2) proposed rule changes related to mar-
3 gin, except for changes to higher margin levels; and

4 “(C) it shall file pursuant to section 19(b)(1)
5 proposed rule changes that have been abrogated by
6 the Commission pursuant to section 19(b)(7)(C).

7 “(4) The National Futures Association shall be ex-
8 empt from and shall not be required to enforce compliance
9 by its members, and its members shall not, solely with re-
10 spect to their transactions effected in security future prod-
11 ucts, be required to comply, with the following provisions
12 of this title and the rules thereunder:

13 “(A) subsections (b)(1), (b)(3), (b)(4), (b)(5),
14 (b)(8), (b)(10), (b)(11), (b)(12), (b)(13), (c), (d),
15 (e), (f), (g), (h), and (i) of section 15A;

16 “(B) subsections (d) and (f) of section 17; and

17 “(C) subsections (a), (f), and (h) of section
18 19.”.

19 (d) EXEMPTION UNDER THE SECURITIES INVESTOR
20 PROTECTION ACT OF 1970.—

21 (1) Section 16(14) of the Securities Investor
22 Protection Act of 1970 (15 U.S.C. 78ll(14)) is
23 amended by inserting “or any security future as that
24 term is defined in section 3(a)(55)(A) of the Securi-
25 ties Exchange Act of 1934,” between “certificate of

1 deposit for a security,” and “any investment con-
2 tract or certificate of interest or participation”; and

3 (2) Section 3(a)(2) of the Securities Investor
4 Protection Act of 1970 (15 U.S.C. 78cccc(a)(2)) is
5 amended—

6 (A) in subparagraph (A)(i), by striking
7 “and” after the semicolon;

8 (B) in subparagraph (A)(ii), by striking
9 the period and inserting “; and”;

10 (C) by adding at the end the following:

11 “(iii) persons who are registered as a
12 broker or dealer pursuant to section
13 15(b)(11)(A) of the Securities Exchange
14 Act of 1934.”.

15 (e) OTHER PROVISION.—Section 15(i)(6)(A) of the
16 Securities Exchange Act of 1934 (15 U.S.C. 78o(i)(6)(A))
17 is amended.—

18 (1) in subparagraph (A)(ii), by striking “and”;

19 (2) in subparagraph (A)(iii), by striking the pe-
20 riod and inserting “; and”; and

21 (3) by adding at the end the following:

22 “(iv) is not a security future prod-
23 uct.”.

1 **SEC. 204. SPECIAL PROVISIONS FOR INTERAGENCY CO-**
2 **OPERATION.**

3 Section 17 of the Securities Exchange Act of 1934
4 (15 U.S.C. 78q) is amended by striking subsection (b) and
5 inserting the following:

6 “(b)(1) All records of persons described in subsection
7 (a) are subject at any time, or from time to time, to such
8 reasonable periodic, special, or other examinations by rep-
9 resentatives of the Commission and the appropriate regu-
10 latory agency for such persons as the Commission or the
11 appropriate regulatory agency for such persons deems nec-
12 essary or appropriate in the public interest, for the protec-
13 tion of investors, or otherwise in furtherance of the pur-
14 pose of this title if the Commission, prior to conducting
15 any such examination of a—

16 “(A) registered clearing agency, registered
17 transfer agent, or registered municipal securities
18 dealer for which it is not the appropriate regulatory
19 agency, gives notice to the appropriate regulatory
20 agency for such clearing agency, transfer agent, or
21 municipal securities dealer, of such proposed exam-
22 ination and consults with the appropriate regulatory
23 agency concerning the feasibility and desirability of
24 coordinating such examinations conducted by the ap-
25 propriate regulatory agency with a view to avoiding
26 unnecessary regulatory duplication or undue regu-

1 latory burdens for such clearing agency, transfer
2 agent, or municipal securities dealer; or

3 “(B) broker or dealer registered pursuant to
4 section 15(b)(11) or exchange registered pursuant to
5 section 6(g), gives notice to the Commodity Futures
6 Trading Commission of such proposed examination
7 and consults with the Commodity Futures Trading
8 Commission concerning the feasibility and desir-
9 ability of coordinating such examination with exami-
10 nations conducted by the Commodity Futures Trad-
11 ing Commission with a view to avoiding unnecessary
12 regulatory duplication or undue regulatory burdens
13 for such broker or dealer or exchange.

14 “(2) The Commission shall notify the Commodity Fu-
15 tures Trading Commission of any examination conducted
16 of any broker or dealer registered pursuant to section
17 15(b)(11) or exchange registered pursuant to section 6(g),
18 and, upon request, furnish to the Commodity Futures
19 Trading Commission any examination report and data
20 supplied to the Commission in connection with such exam-
21 ination.

22 “(3) The Commission shall, to the fullest extent pos-
23 sible, use the reports of examinations of any broker or
24 dealer registered pursuant to section 15(b)(11) or ex-
25 change registered pursuant to section 6(g) made by the

1 Commodity Futures Trading Commission, the National
2 Futures Association, or an exchange registered pursuant
3 to section 6(g).

4 “(4) Nothing in this subsection shall be construed to
5 impair or limit (other than by the requirement of prior
6 consultation) the power of the Commission under this sub-
7 section to examine any clearing agency, transfer agent, or
8 municipal securities dealer, broker or dealer registered
9 pursuant to section 15(b)(11), or exchange registered pur-
10 suant to section 6(g), or to affect in any way the power
11 of the Commission under any other provision of this title
12 or otherwise to inspect, examine, or investigate any clear-
13 ing agency, transfer agent, or municipal securities dealer,
14 broker or dealer registered pursuant to section 15(b)(11),
15 or exchange registered pursuant to section 6(g).”.

16 **SEC. 205. MAINTENANCE OF MARKET INTEGRITY FOR SE-**
17 **CURITY FUTURE PRODUCTS.**

18 (A) ADDITION OF SECURITY FUTURE PRODUCTS TO
19 OPTION-SPECIFIC ENFORCEMENT PROVISIONS.—

20 (1) PROHIBITION AGAINST MANIPULATION.—

21 Section 9(B) of the Securities Exchange Act of 1934
22 (15 U.S.C. 78i) is amended—

23 (A) in paragraph (1), by inserting “(A)”
24 between “acquires” and “any” and by striking

1 “; or” and inserting “, or (B) any contract of
2 sale of the security for future delivery; or”;

3 (B) in paragraph (2), by inserting “(A)”
4 between “any” and “such” and by striking “;
5 or” and inserting “or (B) such contract of sale
6 for future delivery; or”; and

7 (C) in paragraph (3), by inserting “(A)”
8 between “any” and “such” and inserting “or
9 (B) contract of sale for future delivery” be-
10 tween “security” and “with”.

11 (2) LIABILITY OF CONTROLLING PERSONS AND
12 PERSONS WHO AID AND ABET VIOLATIONS.—Section
13 20(d) of the Securities Exchange Act of 1934 (15
14 U.S.C. 78t) is amended by striking “or privilege”
15 and inserting “privilege, or security future product”.

16 (3) LIABILITY TO CONTEMPORANEOUS TRADERS
17 FOR INSIDER TRADING.—Section 21A(a)(1) of the
18 Securities Exchange Act of 1934 (15 U.S.C. 78u-
19 1(a)(1)) is amended by striking “standardized op-
20 tions, the Commission—” and inserting “standard-
21 ized options or security future products, the Com-
22 mission—”.

23 (4) ENFORCEMENT CONSULTATION.—Section
24 21 of the Securities Exchange Act of 1934 (15

1 U.S.C. 78u) is amended by adding at the end of the
2 following:

3 “(i) The Commission shall file with
4 the Commodity Futures Trading Commis-
5 sion notice of the commencement of any
6 proceeding and a copy of any order entered
7 by the Commission against any broker or
8 dealer registered pursuant to section
9 15(b)(11) or any exchange registered pur-
10 suant to section 6(g).”

11 **SEC. 206. SPECIAL PROVISIONS FOR THE TRADING OF SE-**
12 **CURITY FUTURE PRODUCTS.**

13 (a) LISTING STANDARDS.—Section 6 of the Securi-
14 ties Exchange Act of 1934 (15 U.S.C. 78f) is amended
15 by inserting after subsection (g), as added by this Act,
16 the following:

17 “(h)(1) It shall be unlawful for any person to effect
18 transactions in security future products otherwise than on
19 a national securities exchange or a national securities as-
20 sociation registered pursuant to section 15A(a).

21 “(2) A national securities exchange or a national se-
22 curities association registered pursuant to section 15A(a)
23 may trade only security future products that conform with
24 listing standards that such exchanges file with the Com-
25 mission under section 19(b)(7) and the Commodity Fu-

1 tures Trading Commission under section of the Com-
2modity Exchange Act (7 U.S.C.).

3 “(3) Such listing standards must:

4 “(A) require that any security underlying the
5 security future, including each component security of
6 a narrow-based security index, be registered pursu-
7 ant to section 12 of this title;

8 “(B) require that the security future product be
9 cash settled;

10 “(C) be no less restrictive than comparable list-
11 ing standards for options;

12 “(D) require that the security future be based
13 upon common stock and such other equity securities
14 as the Commission determines appropriate;

15 “(E) require that the security future product is
16 guaranteed by a clearing agency that has in place
17 provisions for linked and coordinated clearing with
18 other clearing agencies that guarantee security fu-
19 ture products, which permits the security future
20 product to be purchased on a national securities ex-
21 change or national securities association registered
22 pursuant to section 15A(a) and offset on another
23 national securities exchange or national securities
24 association registered pursuant to section 15A(a);
25 and

1 “(F) require that only a broker or dealer sub-
2 ject to suitability rules comparable to those of a na-
3 tional securities association registered pursuant to
4 section 15A(a) effect transactions in the security fu-
5 ture product;

6 “(G) require that the security future product be
7 subject to the prohibition against dual trading in
8 section 4(j) of the Commodity Exchange Act (7
9 U.S.C. 6j) or the provisions of section 11(a) of this
10 title and the rules and regulations thereunder, ex-
11 cept to the extent otherwise permitted under this
12 title and the rules and regulations thereunder;

13 “(H) require that trading in the security future
14 product and any security that underlies the security
15 future product not be readily susceptible to manipu-
16 lation;

17 “(I) require that procedures be in place for co-
18 ordinated surveillance to detect manipulation and in-
19 sider trading between the market trading the secu-
20 rity future product, the market trading the securities
21 underlying the security future product, and other
22 markets trading related securities;

23 “(J) require that the market trading the secu-
24 rity future product has in place audit trails nec-

1 essary or appropriate to facilitate the coordinated
2 surveillance required in subparagraph (I);

3 “(K) require that the market trading the secu-
4 rity future product has in place procedures to co-
5 ordinate trading halts between that market and mar-
6 kets trading the securities underlying the security
7 future product and other markets trading related se-
8 curities; and

9 “(L) require that initial and maintenance mar-
10 margin levels for a security future product shall not be
11 lower than the levels of margin required on a com-
12 parable option traded on an exchange registered pur-
13 suant to section 6(a) of this title.

14 “(4) No person shall offer to enter into, enter into,
15 or confirm the execution of any option on a securities fu-
16 ture: Provided, however, that after 3 years from the date
17 of enactment of this Act the Commission and the Com-
18 modity Futures Trading Commission may be order deter-
19 mine to permit trading of options on any security future
20 authorized to be traded under the provisions of this Act.
21 Before any such determination, the Commission and the
22 Commodity Futures Trading Commission shall conduct a
23 study of the effect of the trading of security futures on
24 the markets for futures contracts, securities, and options

1 and the adequacy of protections for investors and other
2 market participants.”.

3 (b) MARGIN.—Section 7(c)(1) of the Securities Ex-
4 change Act of 1934 (15 U.S.C. 78g) is amended—

5 (1) in subparagraph (A), by inserting “except
6 as provided in subparagraph (C),” between “secu-
7 rity),” and “in contravention” and by striking “and”
8 after the semicolon;

9 (2) in subparagraph (B), by striking the period
10 and inserting “; and”; and

11 (3) by adding at the end the following:

12 “(C) JOINT REGULATIONS.—

13 “(i) It shall be unlawful for any
14 broker, dealer, or member of a national se-
15 curities exchange to, directly or indirectly,
16 extend or maintain credit to or for, ar-
17 range for the extension or maintenance of
18 credit for, or collect margin from any cus-
19 tomer on any security future product in
20 contravention of the rules and regulations
21 which the Commission and the Commodity
22 Futures Trading Commission shall pre-
23 scribe pursuant to subparagraph (C)(ii).

24 “(ii) The Commission and the Com-
25 modity Futures Trading Commission shall

1 issue jointly such regulations to establish
2 margin requirements, including the estab-
3 lishment of levels of margin (initial and
4 maintenance) and use of collateral for se-
5 curity future products under such terms,
6 and at such levels as the Commission and
7 the Commodity Futures Trading Commis-
8 sion jointly deem: (I) appropriate to pre-
9 serve the financial integrity of markets
10 trading security future products; (II) to
11 prevent systemic risk; (III) to make equiv-
12 alent the margin levels (initial and mainte-
13 nance) and other margin requirements be-
14 tween security future products and com-
15 parable options traded on a national secu-
16 rities exchange; and (IV) to ensure that
17 the margin requirements, other than levels
18 of margin, including the type, form, and
19 use of collateral for security future prod-
20 ucts, are and remain consistent with re-
21 quirements for options traded on a na-
22 tional securities exchange established by
23 the Federal Reserve Board, pursuant to
24 subparagraphs (A) and (B).

1 (c) INCORPORATION OF SECURITY FUTURE PROD-
2 UCTS INTO THE NATIONAL MARKET SYSTEM.—Section
3 11A of the Securities Exchange Act of 1934 (15 U.S.C.
4 78k–1) is amended by adding at the end the following:

5 “(e)(1) With respect to security future products, the
6 Commission and the Commodity Futures Trading Com-
7 mission shall consult and cooperate so that, to the max-
8 imum extent practicable, their respective regulatory re-
9 sponsibilities may be fulfilled and the rules and regulations
10 applicable to security future products may foster a na-
11 tional market system for security future products if the
12 Commission and the Commodity Futures Trading Com-
13 mission determine that such a system would be consistent
14 with the Congressional findings in subsection (a)(1). In
15 accordance with this objective, the Commission shall, at
16 least fifteen days prior to the issuance for public comment
17 of any proposed rule or regulation under this section con-
18 cerning security future products, consult and request the
19 views of the Commodity Futures Trading Commission.

20 “(2) No rule adopted pursuant to this section shall
21 be applied to any person with respect to security future
22 products traded on an exchange that is registered under
23 section 6(g) unless the Commodity Futures Trading Com-
24 mission has issued an order directing that such rule is ap-
25 plicable to such persons.”.

1 (d) INCORPORATION OF SECURITY FUTURE PROD-
2 UCTS INTO THE NATIONAL SYSTEM FOR CLEARANCE AND
3 SETTLEMENT.—Section 17A(b) of the Securities Ex-
4 change Act of 1934 (15 U.S.C. 78q–1(b)) is amended by
5 adding at the end the following:

6 “(7) A clearing agency that is regulated directly
7 or indirectly by the Commodity Futures Trading
8 Commission through its association with a des-
9 ignated contract market for security future products,
10 and that only performs the functions of a clearing
11 agency with respect to security future products and
12 transactions in securities effected pursuant to the
13 rules of the designated contract market with which
14 it is associated, is exempted from the provisions of
15 this section and the rules and regulations there-
16 under, except that any clearing agency that performs
17 the functions of a clearing agency with respect to se-
18 curity future products must coordinate with and de-
19 velop fair and reasonable links with any and all
20 other clearing agencies that perform the functions of
21 a clearing agency with respect to security future
22 products, which will permit security future product
23 to be purchased on a national securities exchange or
24 national securities association registered pursuant to
25 section 15A(a) and offset on another national securi-

1 ties exchange or national securities association reg-
 2 istered pursuant to section 15A(a).”.

3 (e) MARKET EMERGENCY POWERS AND CIRCUIT
 4 BREAKERS.—Section 12(k) of the Securities Exchange
 5 Act of 1934 (15 U.S.C. 78l(k)) is amended—

6 (1) in paragraph (1), by adding at the end the
 7 following: “If the actions described in subparagraph
 8 (A) or (B) involve a security future product, the
 9 Commission shall consult with and consider the
 10 views of the Commodity Futures Trading Commis-
 11 sion.”; and

12 (2) in paragraph (2)(A), by inserting between
 13 “extensions.” and “In exercising” the following: “If
 14 the actions described in subparagraph (A) involve a
 15 security future product, the Commission shall con-
 16 sult with and consider the views of the Commodity
 17 Futures Trading Commission.”.

18 **SEC. 207. AMENDMENTS RELATING TO REGISTRATION AND**
 19 **DISCLOSURE ISSUES UNDER THE SECURI-**
 20 **TIES ACT OF 1933 AND THE SECURITIES EX-**
 21 **CHANGE ACT OF 1934.**

22 (a) AMENDMENTS TO THE SECURITIES ACT OF
 23 1933.—

24 (1) Section 2(a) of the Securities Act of 1933
 25 (15 U.S.C. 77b(a)) is amended—

1 (A) in paragraph (1), by inserting “secu-
2 rity future,” between “treasury stock,” and
3 “bond”;

4 (B) in paragraph (3), by adding at the end
5 the following: “Any offer or sale of a security
6 future product by or on behalf of the issuer of
7 the securities underlying the security future
8 product, an affiliate of the issuer, or an under-
9 writer, will constitute a contract for sale of, sale
10 of, offer for sale, or offer to sell the issuer’s un-
11 derlying securities.”;

12 (C) in paragraph (10), by adding at the
13 end of the following: “Any materials meeting
14 the requirements of section of the Securi-
15 ties Exchange Act of 1934 or section of
16 the Commodity Exchange Act (7 U.S.C.)
17 shall not be deemed to constitute a prospectus
18 for the offer or sale of a security future prod-
19 uct.”; and

20 (D) by adding at the end the following:

21 “(16)(A) The term ‘security future’ means a
22 contract of sale for future delivery for a single secu-
23 rity or of a narrow-based security index, including
24 any interest therein or based on the value thereof.

1 “(B) A ‘narrow-based security index’ is an
2 index—

3 “(i) that has 10 or fewer component secu-
4 rities;

5 “(ii) in which the securities of a single
6 issuer account on average, over the six-month
7 period ending on the date equity options expire
8 in June of each year and over the six-month pe-
9 riod ending on the date equity options expire in
10 December of each year, for more than 10 per-
11 cent of the market capitalization of that index;

12 “(iii) in which the securities of a single
13 issuer in a price-weighted (or other non-capital-
14 ization weighted) index account on average,
15 over the six-month period ending on the date
16 equity options expire in June of each year and
17 over the six-month period ending on the date
18 equity options expire in December of each year,
19 for more than three times their weight in the
20 index if calculated on a market-capitalization
21 basis;

22 “(iv) in which any component security has
23 an average daily trading volume value of less
24 than \$1 million or an aggregate market value

1 of the voting and non-voting common equity
2 held by non-affiliates of less than \$150 million;

3 “(v) in which the average correlation of the
4 securities in the index to the index itself is
5 greater than 0.6 over the six-month period end-
6 ing on the date equity options expire in June of
7 each year and over the six-month period ending
8 on the date equity options expire in December
9 of each year; or

10 “(vi) in which the correlation of any secu-
11 rity in the index to the index itself is greater
12 than 0.9 over the six-month period ending on
13 the date equity options expire in June of each
14 year and over the six-month period ending on
15 the date equity options expire in December of
16 each year.

17 “(17) The term ‘security future product’ means
18 a security future or any put, call, straddle, option,
19 or privilege on any security future.”.

20 (2) Section 3(a) of the Securities Act of 1933
21 (15 U.S.C. 77c) is amended by adding at the end
22 the following:

23 “(14) Any security future product that is (A)
24 guaranteed by a clearing agency registered under
25 section 17A of the Securities Exchange Act of 1934

1 or exempt from registration under paragraph (b)(4)
2 of section 17A of the Securities Exchange Act of
3 1934; and (B) traded on a national securities ex-
4 change or a national securities association registered
5 pursuant to section 15A(a) of the Securities Ex-
6 change Act of 1934.”.

7 (3) Section 12(a)(2) of the Securities Act of
8 1933 (15 U.S.C. 771(a)(2)) is amended by striking
9 “paragraph 2” and inserting “paragraphs (2) and
10 (14).”

11 (b) AMENDMENTS TO THE SECURITIES EXCHANGE
12 ACT OF 1934.—

13 (1) Section 12(a) of the Securities Exchange
14 Act of 1934 (15 U.S.C. 781(a)) is amended by add-
15 ing at the end the following:

16 “(1) The provisions of this subsection shall not
17 apply in respect of a security future product listed
18 on a national securities exchange.”.

19 (2) Section 12(g)(5) of the Securities Exchange
20 Act of 1934 (15 U.S.C. 781(g)) is amended by add-
21 ing at the end the following: “For purposes of this
22 subsection, a security future product shall not be
23 considered a class of equity security of the issuer of
24 the securities underlying the security future prod-
25 uct.”; and

1 (3) Section 16 of the Securities Exchange Act
2 of 1934 (15 U.S.C. 78p) is amended by adding at
3 the end the following:

4 “(f) The provisions of this section shall apply to own-
5 ership of and transactions in security future products as
6 if they were ownership of and transactions in the under-
7 lying equity security. The Commission may adopt such
8 rules and regulations as it deems necessary or appropriate
9 in the public interest to carry out the purposes of this sec-
10 tion.”.

11 **SEC. 208. AMENDMENTS TO THE INVESTMENT COMPANY**

12 **ACT OF 1940 AND THE INVESTMENT ADVIS-**
13 **ERS ACT OF 1940.**

14 (a) DEFINITIONS UNDER THE INVESTMENT COM-
15 PANY ACT OF 1940 AND THE INVESTMENT ADVISERS ACT
16 OF 1940.—

17 (1) Section 2(a)(36) of the Investment Com-
18 pany Act of 1940 (15 U.S.C. 80a-2(a)(36)) is
19 amended by inserting “security future,” between
20 “treasury stock,” and “bond”;

21 (2) Section 202(a)(18) of the Investment Advis-
22 ers Act of 1940 (15 U.S.C. 80b-2(a)(18)) is amend-
23 ed by inserting “security future,” between “treasury
24 stock,” and “bond”;

1 (3) Section 2(a) of the Investment Company
2 Act of 1940 (15 U.S.C. 80a-2(a)) is amended by
3 adding at the end the following:

4 “(52)(A) ‘Security future’ means a contract of
5 sale for future delivery of a single security other
6 than an exempted security under section 3 of the Se-
7 curities Act of 1933 or of a narrow-based security
8 index, including any interest therein or based on the
9 value thereof.

10 “(B) A ‘narrow-based security index’ is an
11 index—

12 “(i) that has 10 or fewer component secu-
13 rities;

14 “(ii) in which the securities of a single
15 issuer account on average, over the six-month
16 period ending on the date equity options expire
17 in June of each year and over the six-month pe-
18 riod ending on the date equity options expire in
19 December of each year, for more than 10 per-
20 cent of the market capitalization of that index;

21 “(iii) in which the securities of a single
22 issuer in a price-weighted (or other non-capital-
23 ization weighted) index account on average,
24 over the six-month period ending on the date
25 equity options expire in June of each year and

1 over the six-month period ending on the date
2 equity options expire in December of each year,
3 for more than three times their weight in the
4 index if calculated on a market-capitalization
5 basis;

6 “(iv) in which any component security has
7 an average daily trading volume value of less
8 than \$1 million or an aggregate market value
9 of the voting and non-voting common equity
10 held by non-affiliates of less than \$150 million;

11 “(v) in which the average correlation of the
12 securities in the index to the index itself is
13 greater than 0.6 over the six-month period end-
14 ing on the date equity options expire in June of
15 each year and over the six-month period ending
16 on the date equity options expire in December
17 of each year; or

18 “(vi) in which the correlation of any secu-
19 rity in the index to the index itself is greater
20 than 0.9 over the six-month period ending on
21 the date equity options expire in June of each
22 year and over the six-month period ending on
23 the date equity options expire in December of
24 each year.”; and

1 (4) Section 202(a) of the Investment Advisers
2 Act of 1940 (15 U.S.C. 80b-2(a)) is amended by
3 adding at the end the following:

4 “(25)(A) ‘Security future’ means a contract of
5 sale for future delivery of a single security or of a
6 narrow-based security index, including any interest
7 therein or based on the value thereof.

8 “(B) A ‘narrow-based security index’ is an
9 index—

10 “(i) that has 10 or fewer component secu-
11 rities;

12 “(ii) in which the securities of a single
13 issuer account on average, over the six-month
14 period ending on the date equity options expire
15 in June of each year and over the six-month pe-
16 riod ending on the date equity options expire in
17 December of each year, for more than 10 per-
18 cent of the market capitalization of that index;

19 “(iii) in which the securities of a single
20 issuer in a price-weighted (or other non-capital-
21 ization weighted) index account on average,
22 over the six-month period ending on the date
23 equity options expire in June of each year and
24 over the six-month period ending on the date
25 equity options expire in December of each year,

1 for more than three times their weight in the
2 index if calculated on a market-capitalization
3 basis;

4 “(iv) in which any component security has
5 an average daily trading volume value of less
6 than \$1 million or an aggregate market value
7 of the voting and non-voting common equity
8 held by non-affiliates of less than \$150 million;

9 “(v) in which the average correlation of the
10 securities in the index to the index itself is
11 greater than 0.6 over the six-month period end-
12 ing on the date equity options expire in June of
13 each year and over the six-month period ending
14 on the date equity options expire in December
15 of each year; or

16 “(vi) in which the correlation of any secu-
17 rity in the index to the index itself is greater
18 than 0.9 over the six-month period ending on
19 the date equity options expire in June of each
20 year and over the six-month period ending on
21 the date equity options expire in December of
22 each year.”.

23 (b) OTHER PROVISION.—Section 203(b) of the In-
24 vestment Advisers Act of 1940 (15 U.S.C. 80b–3(b)) is
25 amended by adding at the end the following:

1 “(6) any investment adviser that is registered,
2 or required to be registered, with the Commodity
3 Futures Trading Commission as a commodity trad-
4 ing advisor and whose business does not consist pri-
5 marily of acting as an investment adviser, as defined
6 in section 202(a)(11) of this title.”.

7 **TITLE III—COMMODITY**
8 **EXCHANGE ACT AMENDMENTS**

9 **SEC. 301. DEFINITIONS UNDER THE COMMODITY EX-**
10 **CHANGE ACT.**

11 Section 1a of the Commodity Exchange Act (7 U.S.C.
12 1a) is amended by adding at the end the following:

13 “(17) The term ‘security’ means a security as
14 defined in section 2(a)(1) of the Securities Act of
15 1933 (15 U.S.C. 77b(a)(1)), section 3(a)(10) of the
16 Securities Exchange Act of 1934 (15 U.S.C.
17 78c(a)(10)), section 202(a)(18) of the Investment
18 Advisers Act of 1940 (15 U.S.C. 80b–2(a)(18)), or
19 section 2(a)(36) of the Investment Company Act of
20 1940 (15 U.S.C. 80a–2(a)(36)).

21 “(18) The term ‘security future’ means a con-
22 tract of sale for future delivery of a single security
23 or of a narrow-based security index, including any
24 interest therein or based on the value thereof.

1 “(19) The term ‘narrow-based security index’
2 means an index—

3 “(A) that has 10 or fewer component secu-
4 rities;

5 “(B) in which the securities of a single
6 issuer account on average, over the six-month
7 period ending on the date equity options expire
8 in June of each year and over the six-month pe-
9 riod ending on the date equity options expire in
10 December of each year, for more than 10 per-
11 cent of the market capitalization of that index;

12 “(C) in which the securities of a single
13 issuer in a price-weighted (or other non-capital-
14 ization weighted) index account on average,
15 over the six-month period ending on the date
16 equity options expire in June of each year and
17 over the six-month period ending on the date
18 equity options expire in December of each year,
19 for more than three times their weight in the
20 index if calculated on a market-capitalization
21 basis;

22 “(D) in which any component security has
23 an average daily trading volume value of less
24 than \$1 million or an aggregate market value

1 of the voting and non-voting common equity
2 held by non-affiliates of less than \$150 million;

3 “(E) in which the average correlation of
4 the securities in the index to the index itself is
5 greater than 0.6 over the six-month period end-
6 ing on the date equity options expire in June of
7 each year and over the six-month period ending
8 on the date equity options expire in December
9 of each year; or

10 “(F) in which the correlation of any secu-
11 rity in the index to the index itself is greater
12 than 0.9 over the six-month period ending on
13 the date equity options expire in June of each
14 year and over the six-month period ending on
15 the date equity options expire in December of
16 each year.

17 “(20) The term ‘security future product’ means
18 a security future or any put, call, straddle, option,
19 or privilege on any security future.

20 “(21)(A) The term ‘margin’, when used with
21 respect to a security future product, shall mean the
22 amount of collateral required to secure any exten-
23 sion, maintenance, or arrangement of the extension
24 or maintenance of credit, or the amount of collateral
25 required as a performance bond related to the pur-

1 chase, sale, or carrying of a security future product,
2 and all other uses of collateral related to the pur-
3 chasing, selling, or carrying of a security future
4 product.

5 “(B) The terms ‘margin level’ and ‘level of mar-
6 gin’ when used with respect to a security future
7 product, shall mean the amount of collateral re-
8 quired to secure any credit extended, maintained, or
9 arranged by a futures commission merchant for the
10 purchase, sale, or carrying of a security future prod-
11 uct, or the amount of collateral required as a per-
12 formance bond by a futures commission merchant
13 related to the purchase, sale, or carrying of a secu-
14 rity future product.

15 “(C) The terms ‘higher margin level’ and ‘high-
16 er level of margin’ when used with respect to a secu-
17 rity future product shall mean a margin level estab-
18 lished by a contract market that is higher than the
19 minimum amount established by the Commission
20 and the Securities and Exchange Commission pursu-
21 ant to subsection 2(a)(1)(B)(vi)(IV)(i)(II) of this
22 Act.”.

1 **SEC. 302. JURISDICTION OF THE COMMODITY FUTURES**
2 **TRADING COMMISSION.**

3 (a) LIFTING THE BAN ON SECURITY FUTURES,
4 MODIFYING THE JURISDICTION OF THE COMMODITY FU-
5 TURES TRADING COMMISSION, AND RECORDKEEPING
6 PROVISIONS.—Section 2(a)(1)(B) of the Commodity Ex-
7 change Act (7 U.S.C. 2a) is amended—

8 (1) in clause (v), by inserting “or subparagraph
9 (C)” between “clause (ii) of this subparagraph” and
10 “, any group”;

11 (2) by redesignating subclause (V) of clause (vi)
12 as subclause (VI);

13 (3) by inserting in lieu of subclauses (I)
14 through (IV) of clause (vi) the following:

15 “(I) Notwithstanding any other
16 provision of this Act, any contract
17 market in a stock index futures (or
18 option thereon), other than a security
19 future product, shall file with the
20 Board of Governors of the Federal
21 Reserve System any rule establishing
22 or changing the levels of margin (ini-
23 tial and maintenance) for such stock
24 index futures contract (or option
25 thereon), other than security futures
26 products.

1 “(II) The Board may at any time
2 request any contract market to set the
3 margin for any stock index futures
4 contract (or option thereon), other
5 than for any security futures contract
6 (or option thereon), at such levels as
7 the Board in its judgment determines
8 are appropriate to preserve the finan-
9 cial integrity of the contract market
10 or its clearing system or to prevent
11 systemic risk. If the contract market
12 fails to do so within the time specified
13 by the Board in its request, the
14 Board, may direct the contract mar-
15 ket to alter or supplement the rules of
16 the contract market as specified in the
17 request.

18 “(III) Subject to such conditions
19 as the Board may determine, the
20 Board may delegate any or all of its
21 authority, relating to margin for any
22 stock index futures contract, other
23 than security future products, under
24 this clause to the Securities and Ex-
25 change Commission.

1 “(IV) Joint Regulations.—

2 “(aa) It shall be unlawful
3 for any futures commission mer-
4 chant to directly or indirectly, ex-
5 tend or maintain, credit or ar-
6 range for the extension or main-
7 tenance of credit or to collect
8 margin from any customer on
9 any security future product, in
10 contravention of the rules and
11 regulation which the Commission
12 and the Securities and Exchange
13 Commission shall prescribe pur-
14 suant to subparagraph (II) of
15 this paragraph.

16 “(bb) The Commission and
17 the Securities and Exchange
18 Commission shall issue jointly
19 such regulations to establish
20 margin requirements, including
21 the establishment of levels of
22 margin (initial and maintenance)
23 and use of collateral for security
24 future products under such
25 terms, and at such levels as the

1 Commission and the Securities
2 and Exchange Commission joint-
3 ly deem: (A) appropriate to pre-
4 serve the financial integrity of
5 markets trading security future
6 products; (B) to prevent systemic
7 risk; (C) to make equivalent the
8 margin levels (initial and mainte-
9 nance) and other margin require-
10 ments between security future
11 products and options on securi-
12 ties traded on national securities
13 exchange; and (D) to ensure that
14 the margin requirements, other
15 than margin levels, including use
16 of collateral for security future
17 products, are and remain con-
18 sistent with the requirements es-
19 tablished by the Federal Reserve
20 Board, pursuant to subpara-
21 graphs ((c)(1)(A) and (c)(1)(B))
22 of section 7(c) of the Securities
23 Exchange Act of 1934.”.

24 “(V) Nothing in this clause shall
25 supersede or limit the authority grant-

1 ed to the Commission in section 8a(9)
2 to direct a contract market, on finding
3 an emergency to exist, to raise tem-
4 porary margin levels on any futures
5 contract, or option on the contract
6 covered by this clause, or on any secu-
7 rity future product.”; and

8 (4) by adding at the end the following:

9 “(C)(i) Notwithstanding any other provi-
10 sion of this Act, the Securities and Exchange
11 Commission shall have jurisdiction and author-
12 ity over security futures as defined in section
13 3(a)(55) of the Securities Exchange Act of
14 1934 (15 U.S.C. 78c(a)(55)), options on secu-
15 rity futures, and persons effecting transactions
16 in security futures and options thereon, and
17 this Act shall apply to and the Commission
18 shall have jurisdiction with respect to accounts,
19 agreements (including any transaction which is
20 of the character of, or is commonly known to
21 the trade as, an ‘option’, ‘privilege’, ‘indemnity’,
22 ‘bid’, ‘offer’, ‘put’, ‘call’, ‘advance guaranty’, or
23 ‘decline guaranty’,) and transactions involving,
24 and may designate a board of trade as a con-
25 tract market in a security future product as de-

1 fined in section 1(a)(19) of this Act: *Provided,*
2 *however,* That no board of trade shall be des-
3 igned as a contract market with respect to
4 any such contracts of sale for future delivery
5 unless the board of trade making such applica-
6 tion demonstrates and the Commission ex-
7 pressly finds that the specific contract with re-
8 spect to which the application has been made,
9 or the board of trade, meets the following cri-
10 teria:

11 “(I) that any security underlying the
12 security future, including each component
13 security of a contract of sale for future de-
14 livery on a narrow-based security index, be
15 registered pursuant to section 12 of the
16 Securities Exchange Act of 1934 (15
17 U.S.C. 78l);

18 “(II) that the security future product
19 be cash settled;

20 “(III) that the terms and conditions
21 of a security future product be no less re-
22 strictive than comparable listing standards
23 for options;

24 “(IV) that the security future be
25 based upon common stocks and such other

1 equity securities as the Commission deter-
2 mines appropriate;

3 “(V) that the security future product
4 is guaranteed by a clearing agency that
5 has in place provisions for linked and co-
6 ordinated clearing with other clearing
7 agencies that guarantee security future
8 products, which permits the security future
9 product to be purchased on a designated
10 contract market, national securities ex-
11 change registered under section 6(a) of the
12 Securities Exchange Act of 1934 (
13 U.S.C.), or national securities asso-
14 ciation registered pursuant to section
15 15A(a) of the Securities Exchange Act of
16 1934 (U.S.C.) and offset on an-
17 other designated contract market, national
18 securities exchange, or national securities
19 association;

20 “(VI) that only futures commission
21 merchants, introducing brokers, commodity
22 trading advisors, commodity pool operators
23 or associated persons subject to suitability
24 rules comparable to those of a national se-
25 curities association registered pursuant to

1 section 15A(a) of the Securities Exchange
2 Act of 1934 (U.S.C.) solicit, ac-
3 cept any order for, or otherwise deal in any
4 transaction in or in connection with a con-
5 tract of sale for future delivery in a secu-
6 rity future product;

7 “(VII) that the security future prod-
8 uct be subject to a prohibition against dual
9 trading in section 4j of this Act or the pro-
10 visions of section 11(a) of the Securities
11 Exchange Act of 1934 (U.S.C.)
12 and the rules and regulations thereunder,
13 except to the extent otherwise permitted
14 under the Securities Exchange Act of 1934
15 and the rules and regulations thereunder;

16 “(VIII) that trading in a security fu-
17 ture product and any security that
18 underlies the security future product not
19 be readily susceptible to manipulation;

20 “(IX) that the board of trade has pro-
21 cedures in place for coordinated surveil-
22 lance to detect manipulation and insider
23 trading between the contract market trad-
24 ing the security future product, the market
25 trading the securities underlying the secu-

1 rity future product, and other markets
2 trading related securities;

3 “(X) that the contract market trading
4 the security future product has in place
5 audit trails necessary or appropriate to fa-
6 cilitate the coordinated surveillance re-
7 quired in section subparagraph (I);

8 “(XI) that the contract market trad-
9 ing the security future product has in place
10 procedures to coordinate trading halts be-
11 tween that contract market and markets
12 trading the securities underlying the secu-
13 rity future product and other markets
14 trading related securities; and

15 “(XII) that initial and maintenance
16 margin levels for a security future product
17 shall not be lower than the levels of margin
18 required on a comparable option traded on
19 an exchange registered pursuant to section
20 6(a) of the Securities Exchange Act of
21 1934 (U.S.C.).

22 “(ii) It shall be unlawful for any person to
23 offer, to enter into, to execute, to confirm the
24 execution of, or to conduct any office or busi-
25 ness anywhere in the United States, its terri-

1 tories or possessions, for the purpose of solie-
2 iting, or accepting any order for, or otherwise
3 dealing in, any transaction in, or in connection
4 with, a contract for the purchase or sale of a
5 security future product for future delivery
6 unless—

7 “(I) such transaction is conducted on
8 or subject to the rules of a board of trade
9 which has been designated by the Commis-
10 sion as a contract market in a security fu-
11 ture product;

12 “(II) such contract is executed or con-
13 summated by or through a member of such
14 contract market; and

15 “(III) such contract is evidenced by a
16 record in writing which shows the date, the
17 parties to such contract and their address-
18 es, the property covered and its price: *Pro-*
19 *vided*, That each contract market member
20 shall keep such record for a period of three
21 years from the date thereof, or for a longer
22 period if the Commission shall so direct,
23 which record shall at all times be open to
24 the inspection of any representative of the
25 Commission or the Securities and Ex-

1 change Commission or the Department of
2 Justice.

3 “(iii) Notwithstanding any other provision
4 of this Act, no person shall offer to enter into,
5 enter into, or confirm the execution of any op-
6 tion on a securities future: *Provided, however,*
7 That after 3 years from the date of enactment
8 of this Act the Commission and the Securities
9 and Exchange Commission may by order deter-
10 mine to permit trading of options on any secu-
11 rity future authorized to be traded under the
12 provisions of this Act. Before any such deter-
13 mination, the Commission and the Securities
14 and Exchange Commission shall conduct a
15 study of the effect of the trading of security fu-
16 tures on the markets for futures contracts, se-
17 curities, and options and the adequacy of pro-
18 tections for investors and other market partici-
19 pants.

20 “(iv)(I) All records of persons registered
21 with the Commission pursuant to section 4f(a)
22 and 4k(4)(b) and a board of trade designated
23 as contract market in security futures pursuant
24 to section 6(c) are subject at any time, or from
25 time to time, to such reasonable periodic, spe-

1 cial, or other examinations by representatives of
2 the Commission and the appropriate regulatory
3 agency for such persons as the Commission or
4 the appropriate regulatory agency for such per-
5 sons deems necessary or appropriate in the pub-
6 lic interest, for the protection of investors, or
7 otherwise in furtherance of the purposes of this
8 title if the Commission, prior to conducting any
9 such examination of a—

10 “(aa) registered clearing agency, reg-
11 istered transfer agent, or registered munic-
12 ipal securities dealer for which it is not the
13 appropriate regulatory agency, give notice
14 to the appropriate regulatory agency for
15 such clearing agency, transfer agent, or
16 municipal securities dealer, of such pro-
17 posed examination and consult with the
18 appropriate regulatory agency concerning
19 the feasibility and desirability of coordi-
20 nating such examinations conducted by the
21 appropriate regulatory agency with a view
22 to avoiding unnecessary regulatory duplica-
23 tion or undue regulatory burdens for such
24 clearing agency, transfer agent, or munic-
25 ipal securities dealer; or

1 “(bb) futures commission merchant,
2 introducing broker, floor trader, or floor
3 registered pursuant to section 4f(a), or as-
4 sociated person registered pursuant to sec-
5 tion 4k(4)(b), or a board of trade des-
6 ignated as a contract market in a security
7 product pursuant to section 6(c), give no-
8 tice to the Securities and Exchange Com-
9 mission such proposed examination and
10 consult with the Securities and Exchange
11 Commission concerning the feasibility and
12 desirability of coordinating such examina-
13 tion with examinations conducted by the
14 Securities and Exchange Commission with
15 a view to avoiding unnecessary regulatory
16 duplication or undue regulatory burdens
17 for such registrant or board of trade.

18 “(II) The Commission shall notify the Se-
19 curities and Exchange Commission of any ex-
20 amination conducted of any futures commission
21 merchant, introducing broker, floor trader, or
22 floor registered pursuant to section 4f(a), or as-
23 sociated person registered pursuant to section
24 4k(4)(b), or a board of trade designated as a
25 contract market in a security product pursuant

1 to section 6(c), and, upon request, furnish to
2 the Commission any examination report and
3 data supplied to the Securities and Exchange
4 Commission in connection with such examina-
5 tion.

6 “(III) The Commission shall, to the fullest
7 extent possible, use the reports of examinations
8 of any futures commission merchant, intro-
9 ducing broker, floor trader, or floor registered
10 pursuant to section 4f(a), or associated person
11 registered pursuant to section 4k(4)(b), or a
12 board of trade designated as a contract market
13 in a security product pursuant to section 6(c),
14 made by the Securities and Exchange Commis-
15 sion, a national securities association registered
16 pursuant to section 15A(a) of the Securities
17 Exchange Act of 1934 (U.S.C.), or
18 a national securities exchange registered pursu-
19 ant to section 6(g) of the Securities Exchange
20 Act of 1934 (U.S.C.).

21 “(IV) Nothing in this subsection shall be
22 construed to impair or limit (other than by the
23 requirement of prior consultation) the power of
24 the Commission under this subsection to exam-
25 ine any clearing agency, transfer agent, futures

1 commission merchant, introducing broker, floor
2 trader, or floor registered pursuant to section
3 4f(a), or associated person registered pursuant
4 to section 4k(4)(b), or a board of trade des-
5 ignated as a contract market in a security fu-
6 ture product, or to affect in any way the power
7 of the Commission under any other provision of
8 this Act.”.

9 (b) DUAL TRADING.—Section 4j(a)(3) of the Com-
10 modity Exchange Act (7 U.S.C. 6j(a)(3)) is amended by
11 inserting “, other than a designated contract market in
12 a security future product,” between “exempt a contract
13 market” and “from the regulations”.

14 (c) MARGIN RULE REVIEW.—Section 5a(a)(12)(A) of
15 the Commodity Exchange Act 7 U.S.C.) is
16 amended—

17 (1) by inserting “other than the setting of levels
18 of margin for a security future product” between
19 “setting of levels of margin” and “. Each contract”;
20 and

21 (2) by inserting “other than the setting of levels
22 of margin for a security future product” between
23 “setting of levels of margin” and “and except those
24 that”.

1 **SEC. 303. APPLICATION OF THE COMMODITY EXCHANGE**
2 **ACT TO NATIONAL SECURITIES EXCHANGES**
3 **AND NATIONAL SECURITIES ASSOCIATIONS**
4 **THAT TRADE SECURITY FUTURES.**

5 (a) NOTICE DESIGNATION OF NATIONAL SECURITIES
6 EXCHANGES AND NATIONAL SECURITIES ASSOCIA-
7 TIONS.—The Commodity Exchange Act is amended by
8 adding after section 5b (7 U.S.C. 7b) the following:

9 “SEC. 5c. Any board of trade that is registered with
10 the Securities and Exchange Commission as a national se-
11 curities exchange or is a national securities association
12 registered pursuant to section 15A(a) of the Securities Ex-
13 change Act of 1934 (U.S.C.) shall be a des-
14 ignated contract market in security futures provided that
15 such national securities exchange or national securities as-
16 sociation: (i) lists or trades no other contracts of sale for
17 future delivery, except for contracts of sale for future de-
18 livery in security future products; (ii) files written notice
19 with the Commission in such form as the Commission, by
20 rule, may prescribe containing such information as the
21 Commission, by rule, may prescribe as necessary or appro-
22 priate in the public interest or for the protection of cus-
23 tomers; and (iii) is not subject to a suspension pursuant
24 to an order by the Securities and Exchange Commission.”.

1 (b) EXEMPTIONS FOR NOTICE REGISTRANTS.—Sec-
2 tion 6(f) of the Commodity Exchange Act (7 U.S.C. 8(f))
3 is amended by adding at the end the following:

4 “(3)(A) A national securities exchange or na-
5 tional securities association that is designated as a
6 contract market pursuant to section 5c of this Act
7 shall be exempt from the following provisions of this
8 Act and the rules thereunder:

9 “(i) paragraphs (b) and (e) of section 4g;

10 “(ii) section 4h;

11 “(iii) paragraphs (a) and (d) of section 4j;

12 “(iv) paragraphs (2), (3), (5), (7), and (8),

13 of section 5;

14 “(v) paragraphs (a)(1), (a)(11), (a)(12),

15 (a)(13), (a)(14), (a)(15), (a)(16), (a)(17), and

16 (b) of section 5a;

17 “(vi) section 6(b);

18 “(vii) section 6a;

19 “(viii) section 6b;

20 “(ix) paragraphs (b), (c), (d), and (e) of

21 section 8;

22 “(x) section 8e;

23 “(xi) paragraph (a) of section 9;

24 “(xii) paragraph (f) of section 9;

25 “(xiii) section 15;

1 “(xiv) section 16; and

2 “(xv) paragraph (b) of section 22.

3 “(B)(i) Except as provided in (B)(ii) below, but
4 notwithstanding any other provision of this Act, the
5 Commission, by rule, regulation, or order, may con-
6 ditionally or unconditionally exempt any designated
7 contract market in security futures subject to the
8 designation requirement of section 5c of this Act,
9 from any provision or provisions of this Act or of
10 any rule or regulation thereunder, to the extent such
11 exemption is necessary or appropriate in the public
12 interest and is consistent with the protection of in-
13 vestors.

14 “(ii) The Commission shall, by rule or regula-
15 tion, determine the procedures under which an ex-
16 emptive order under this section shall be granted
17 and may, in its sole discretion, decline to entertain
18 any application for an order of exemption under this
19 section.”.

20 (c) NOTICE REGISTRATION OF SECURITIES BROKER-
21 DEALERS.—Section 4f(a) of the Commodity Exchange
22 Act (7 U.S.C. 6f(a)) is amended—

23 (1) by inserting “(1)” between “(a)” and “Any
24 person”; and

25 (2) by adding at the end the following:

1 “(2) Any broker or dealer that is registered
2 with the Securities and Exchange Commission shall
3 be registered as a futures commission merchant, in-
4 troducing broker, floor broker, or floor trader, as ap-
5 plicable, if such broker or dealer:

6 “(A) limits its solicitation of orders, ac-
7 ceptance of orders, or the execution of orders,
8 or placing of orders on behalf of others involv-
9 ing any contracts of sale of any commodity for
10 future delivery, on or subject to the rules of any
11 contract market to those contracts of sale on
12 security futures;

13 “(B) files written notice with the Commis-
14 sion in such form as the Commission, by rule,
15 may prescribe containing such information as
16 the Commission, by rule, may prescribe as nec-
17 essary or appropriate in the public interest or
18 for the protection of investors;

19 “(C) is not subject to a suspension pursu-
20 ant to an order of the Securities and Exchange
21 Commission; and

22 “(D) is a member of the National Associa-
23 tion of Securities Dealers or a limited member
24 of the National Futures Association subject to

1 the National Futures Association’s rules that
2 are applicable to security futures.”.

3 (d) EXEMPTION FOR SECURITIES BROKER-DEALERS
4 FROM CERTAIN PROVISIONS OF THE COMMODITY EX-
5 CHANGE ACT.—Section 4f(a) of the Commodity Exchange
6 Act (7 U.S.C. 6f(a)) is amended by inserting after para-
7 graph (2), as added by this Act, the following:

8 “(3)(A) A broker or dealer that is registered as
9 a futures commission merchant, introducing broker,
10 floor broker, or floor trader, pursuant to section
11 4f(a)(2) shall be exempt from the following provi-
12 sions of this Act and the rules thereunder:

13 “(i) section 4c;

14 “(ii) paragraphs (b) and (c) of section 4f;

15 “(iii) paragraph (a) of section 4g;

16 “(iv) paragraphs (b) and (c) of section 4j;

17 “(v) paragraphs (a) and (b) of section 4p;

18 “(vi) section 6d;

19 “(vii) paragraph (g) of section 8;

20 “(viii) paragraph (a) of section 22.

21 “(B)(i) Except as provided in (B)(ii) below, but
22 notwithstanding any other provision of this Act, the
23 Commission, by rule, regulation, or order, may con-
24 ditionally or unconditionally exempt any broker or
25 dealer subject to the registration requirement of

1 paragraph (2) of this subsection, from any provision
2 or provisions of this Act or of any rule or regulation
3 thereunder, to the extent such exemption is nec-
4 essary or appropriate in the public interest and is
5 consistent with the protection of investors.

6 “(ii) The Commission shall, by rule or regula-
7 tion, determine the procedures under which an ex-
8 emptive order under this section shall be granted
9 and may, in its sole discretion, decline to entertain
10 any application for an order of exemption under this
11 section.”.

12 (e) NOTICE REGISTRATION AND EXEMPTIONS FOR
13 ASSOCIATED PERSONS OF SECURITIES BROKER-DEAL-
14 ERS.—Section 4k(4) of the Commodity Exchange Act (7
15 U.S.C.) is amended—

16 (1) by inserting “(a)” between “(4)” and “Any
17 person”; and

18 (2) by adding at the end the following:

19 “(b)(1) Any person that is an associated person of
20 a broker or dealer that is registered with the Securities
21 and Exchange Commission shall be registered as an asso-
22 ciate person of a futures commission merchant or an intro-
23 ducing broker, as applicable: *Provided*, That: (A) such as-
24 sociated person limits its solicitation of orders, acceptance
25 of orders, or the execution of orders, or placing of orders

1 on behalf of others involving any contracts of sale of any
2 commodity for future delivery, on or subject to the rules
3 of any contract market to those contracts of sale on secu-
4 rity futures; (B) such associated person files an applica-
5 tion with the Commission in such form as the Commission,
6 by rule, may prescribe containing such information and
7 documents as the Commission, by rule, may prescribe as
8 necessary or appropriate in the public interest or for the
9 protection of investors; and (C) such associated person is
10 not subject to a suspension pursuant to an order of the
11 Securities and Exchange Commission.

12 “(2)(A) An associated person of a broker or dealer
13 that is registered as an associated person of a futures com-
14 mission merchant or an introducing broker pursuant to
15 section 4k(4)(b) of this Act shall be exempt from the fol-
16 lowing provisions of this Act and the rules thereunder:

- 17 (i) section 4c;
- 18 (ii) paragraphs (b) and (c) of section 4f;
- 19 (iii) paragraph (a) of section 4g;
- 20 (iv) paragraphs (b) and (c) of section 4j;
- 21 (v) paragraphs (a) and (b) of section 4p;
- 22 (vi) section 6d;
- 23 (vii) paragraph (g) of section 8;
- 24 (viii) paragraph (a) of section 22.

1 “(B)(i) Except as provided in (B)(ii) below, but not-
2 withstanding any other provision of this Act, the Commis-
3 sion, by rule, regulation, or order, may conditionally or
4 unconditionally exempt any associated person of a broker
5 or dealer subject to the designation requirement of para-
6 graph (1) of this subsection, from any provision or provi-
7 sions of this Act or of any rule or regulation thereunder,
8 to the extent such exemption is necessary or appropriate
9 in the public interest and is consistent with the protection
10 of investors.

11 “(ii) The Commission shall, by rule or regulation, de-
12 termine the procedures under which an exemptive order
13 under this section shall be granted and may, in its sole
14 discretion, decline to entertain any application for an
15 order of exemption under this section.”.

16 **SEC. 304. NOTIFICATION OF INVESTIGATIONS AND EN-**
17 **FORCEMENT ACTIONS.**

18 (a) Section 8(a) of the Commodity Exchange Act
19 (U.S.C.) is amended by adding at the end the
20 following:

21 “(3) The Commission shall file with the Securi-
22 ties and Exchange Commission notice of the com-
23 mencement of any proceeding and a copy of any
24 order entered by the Commission against any fu-
25 tures commission merchant, introducing broker,

1 floor trader or floor broker registered pursuant to
2 section 4f(a) of this Act, any associated person reg-
3 istered pursuant to section 4k(4)(b) of this Act, or
4 any board of trade designated as a contract market
5 pursuant to section 6(c) of this Act.”.

6 (b) Section 6(c) of the Commodity Exchange Act
7 (U.S.C.) is amended by adding at the end the
8 following: “The Commission shall file with the Securities
9 and Exchange Commission notice of the commencement
10 of any proceeding and a copy of any order entered by the
11 Commission against any futures commission merchant, in-
12 troducing broker, floor trader or floor broker registered
13 pursuant to section 4f(a) of this Act, any associated per-
14 son registered pursuant to section 4k(4)(b) of this Act,
15 or any board of trade designated as a contract market
16 pursuant to section 6(c) of this Act.”.

17 (c) Section 6c of the Commodity Exchange Act (
18 U.S.C.) is amended by adding at the end of the fol-
19 lowing:

20 “(h) The Commission shall file with the Securities
21 and Exchange Commission notice of the commencement
22 of any proceeding and a copy of any order entered by the
23 Commission against any futures commission merchant, in-
24 troducing broker, floor trader or floor broker registered
25 pursuant to section 4f(a) of this Act, any associated per-

1 son registered pursuant to section 4k(4)(b) of this Act,
2 or any board of trade designated as a contract market
3 pursuant to section 6(c) of this Act.”.

4 **TITLE IV—EFFECTIVE DATE**

5 The amendments made by this Act shall become ef-
6 fective one year after the date of enactment of this Act.

○