



Commodity Futures Trading Commission

Office of Public Affairs

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Q & A – Final and Interim Final Rulemaking Regarding Commodity Options

What is the purpose of the final rulemaking?

The final rulemaking adopts rules to revise part 32 (and to update parts 3 and 33) of the Commission's regulations to align the Commission's general options rules with the CEA changes made by the Dodd-Frank Act. Specifically, section 721 of the Dodd-Frank Act added a definition of the term "swap" in section 1a(47) of the CEA. The statutory swap definition includes "a put, call, cap, floor, collar, or similar option of any kind that is for the purchase or sale, or based on the value, of 1 or more . . . commodities . . ." Therefore, the final rule adopts the Commission's February 3, 2011 proposal to permit commodity options to transact subject to all rules and regulations applicable to any other swap.

What is the purpose of the interim final rulemaking?

The rulemaking adopted by the Commission also includes an interim final rule that provides a trade option exemption from the general swaps rules, subject to certain conditions, for certain physical delivery commodity options. The interim final rule is being adopted in response to commenters that requested relief from the full panoply of Dodd-Frank swaps regulations for commodity options used by commercial entities to deliver and/or receive physical commodities in connection with their business. The trade option exemption conditions include position limits, large trader reporting, appropriate recordkeeping and reporting requirements, antifraud and anti-manipulation rules, and the retention of certain swap requirements for swap dealers and major swap participants that engage in trade options.

What is the scope and application of the final and interim final rulemakings?

The final rule and interim final rule apply to commodity options that are subject to the definition of "swap" as it will be further defined by the Commission and the Securities and Exchange Commission. Exchange-traded options on futures are specifically excluded from the swap definition and will not be affected by this rule.

What will be the relevant effective date and compliance date for the final and interim final rules?

While the effective date of the final rule and the interim final rule is 60 days after their publication in the Federal Register, the relevant compliance date will be 60 days after the term "swap" is further defined pursuant to section 721 of the Dodd-Frank Act (i.e., 60 days after the further definition of the term "swap" is adopted by the Commission and the Securities and Exchange Commission and published in the Federal Register).