



Commodity Futures Trading Commission

Office of Public Affairs

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Proposed Rulemaking Regarding Core Principles and Other Requirements for Designated Contract Markets

The Commodity Futures Trading Commission (Commission) is proposing new and revised rules, guidance and acceptable practices governing the designation and operation of designated contract markets (DCMs). The proposed rulemaking implements provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 amended the obligations of DCMs under the CEA

On July 21, 2010, Congress passed the Dodd-Frank Act, which amended the Commodity Exchange Act.

Section 735 of the Dodd-Frank Act amended Section 5 of the Commodity Exchange Act (CEA) by:

- Eliminating the eight criteria for designation as a contract market under Section 5(b) of the CEA;
- Amending most of the core principles, including incorporating into the core principles most of the former designation criteria; and
- Adding five new core principles: Core Principle 13 (Disciplinary Procedures), Core Principle 20 (System Safeguards), Core Principle 21 (Financial Resources), Core Principle 22 (Diversity of Boards of Directors), and Core Principle 23 (Securities and Exchange Commission).

Section 723 of the Dodd-Frank Act added Section 2(h)(8) of the CEA to require that the execution of all clearable swaps occur on DCMs or Swap Execution Facilities (SEFs), except where no DCM or SEF makes the swap available for trading.

The Commission's proposed new and amended rules, guidance and acceptable practices govern the obligations of DCMs under the CEA

The proposed new and amended rules, guidance and acceptable practices implement the new and amended 23 core principles, and incorporate the trading and execution of swaps on DCMs.

The proposed rulemaking proposes to codify rules, and provide guidance and acceptable practices governing the obligations of DCMs to comply with the applicable provisions of the CEA, as amended by the Dodd-Frank Act, including the 23 core principles under Section 5(d) of the CEA.

Specifically, the proposed rules, guidance and acceptable practices govern the general obligations of DCMs under the amended core principles, including:

- Financial information and resource requirements;
- Compliance obligations;
- Operational capabilities;
- Surveillance obligations; and
- Trading and products requirements.

In addition, the proposed rules, guidance and acceptable practices govern the obligations of DCMs with respect to the trading and execution of swaps, in addition to futures and options contracts.