

**Addendum to CFTC – SEC Memorandum of Understanding Regarding
Coordination in Areas of Common Regulatory Interest:
Principles Governing the Review of Novel Derivative Products**

The CFTC and the SEC have agreed to discuss and coordinate regulatory action regarding novel derivative products pursuant to the Memorandum of Understanding Regarding Coordination in Areas of Common Regulatory Interest. The SEC and the CFTC acknowledge that there may be instances in which novel derivative products may reflect elements of both securities and commodity futures or options, and may impact the regulatory mission of each agency. The agencies recognize the inherent benefits of U.S. government agencies closely cooperating in areas that implicate overlapping areas of regulatory concern.

Accordingly, pursuant to Article IV of the MOU, the agencies have agreed that designated agency staff will meet at least quarterly each year to identify and discuss regulatory issues related to novel derivative products. In order to further facilitate the resolution of shared regulatory issues involving novel derivative products, the agencies hereby agree that, consistent with their respective laws and regulations, consideration of issues related to such novel derivative products will be guided by the following principles:

1. **Recognition of Mutual Regulatory Interests.** The agencies agree that while each agency has certain unique regulatory concerns, they share many areas of regulatory interests. Among the areas of shared regulatory interests are protecting investors and market participants, deterring fraud and manipulation, protecting the financial integrity of markets, and promoting competition, market efficiency, and price discovery. Each agency agrees that such shared regulatory interests will be recognized and considered when issues and requests relating to novel derivative products arise.
2. **Encourage Innovation.** Both agencies shall endeavor to encourage the development and growth of novel derivative products, as such products can enhance innovation, efficiency, capital formation, and the investment and risk management choices available to the marketplace.
3. **Encourage Competition.** Both agencies shall endeavor to promote competition among and between securities, futures, and options markets and market participants, as such competition can expand the range of products available to the marketplace while lowering transaction costs and encouraging market depth and liquidity.
4. **Market Neutrality.** Each agency shall endeavor, for products that implicate areas of overlapping regulatory concern, to permit such products to trade in either or both an SEC- or CFTC-regulated environment, in a manner consistent with their respective laws and regulations.
5. **Legal Certainty.** Both agencies shall endeavor to make appropriate use of all available authority, including exemptive and interpretive authority, with a view to increasing legal certainty for market participants and encouraging competing or complementary products to be brought to market expeditiously.
6. **Predictable and Efficient Consideration of Requests.** Both agencies shall endeavor to consider and act upon requests relating to novel derivative products in a timely manner and to coordinate with one another concerning related requests.

7. **Information Sharing.** The agencies agree to establish additional appropriate information-sharing arrangements, as necessary, to facilitate each other's requests for information regarding novel derivative products, consistent with the provisions of the MOU.

This addendum is subject to all the terms and conditions of the MOU.

Agreed to this 11 day of March, 2008.



Christopher Cox
Chairman
Securities and Exchange Commission



Walter L. Lukken
Acting Chairman
Commodity Futures Trading Commission