



**U.S. Commodity Futures Trading Commission
International Symposium and Training Program**

**Regulation of Derivatives Products,
Markets and Financial Intermediaries**

**Federal Reserve Bank of Chicago
230 South LaSalle Street, Chicago, Illinois 60604**

October 15 – 23, 2006

SUNDAY – OCTOBER 15, 2006

OPTIONAL PRE-PROGRAM ORIENTATION

10:45 – 3:30

Brunch at The Signature Room at the top of the John Hancock Building followed by an architectural cruise tour on the Chicago River and Lake Michigan (Assemble in the Hotel Lobby)

MONDAY - OCTOBER 16, 2006

**CFTC/CHICAGO FED JOINT PLENARY SESSIONS ON
CROSS-BORDER ISSUES**

9:00 – 9:20

Registration

9:20 – 9:35

Introductions and Welcoming Remarks

David Marshall, Senior Vice President, Financial Markets Group, Federal Reserve Bank of Chicago
Walter Lukken, Commissioner, CFTC
Michael Dunn, Commissioner, CFTC

9:35 – 10:00

The CFTC's Symposium: An Overview

Presenter: Myra Silberstein, Special Counsel, Office of International Affairs

10:00 – 11:30

PLENARY SESSION I – An Oxford Style Debate

Share your views on the following, highly publicized international policy issue:

Derivatives markets increasingly have extended their global reach by obtaining recognition of their electronic “direct access” systems in foreign “host” markets, based on the host jurisdiction’s reliance on “home” country regulation for ongoing oversight. When an otherwise “foreign” electronic exchange: 1) is offering products that have a strong domestic element directly to domestic persons, 2) has greater volume coming from the domestic country rather than the foreign country, 3) has management in the “host” country rather than the “home” country, or 4) has a presence in the host country that is more than incidental, the exchange should be regulated fully in the same manner as a domestic exchange. Should a foreign exchange that offers the same basic attributes of a domestic exchange become subject to the regulatory regime of the domestic regulator?

Whether the result of intentional regulatory arbitrage or otherwise, at some point, appropriate public policy would call for a closer examination of the substance of the exchange and whether it should continue to be subject only to its foreign regulatory regime or subject to the domestic regulatory regime.

Resolved: A foreign exchange that offers the same basic attributes of a domestic exchange should become subject to the regulatory regime of the domestic regulator.

Moderator: John McPartland, International Clearing and Settlement Consultant and Financial Markets Consultant to the Federal Reserve Bank of Chicago

Debaters: **For:** Scott Early, Esq., Partner, Foley & Lardner LLP
Against: Nicholas Weinreb, Group Head of Regulation, Euronext

Commentator: Michael Philipp, Esq., Partner, Winston & Strawn LLP

- 11:30 – 12:30 **PLENARY SESSION II – Addressing Market Structure Issues Arising From Cross-Border Mergers of Derivatives and Equity Exchanges**
- This panel will discuss issues such as, among others, the costs and benefits of exchange mergers, competition authority concerns regarding exchange mergers, and the possibility of a universal exchange. The panelists will also briefly discuss mergers of clearing organizations and the potential efficiencies and protections of such a merger.
- Moderator:** Jerrold E. Salzman, Esq., Partner, Freeman & Salzman
- Presenters:** Henk F.W. Bruggeman, Head, Market and Exchanges
Netherlands Authority for Financial Markets (AFM)
John Krslovic, Manager (Derivatives) Markets Regulation
Australia Securities & Investments Commission (ASIC)
Verena Ross, Head, Market Infrastructure Supervision Department
Financial Services Authority, United Kingdom
Nicholas Weinreb, Group Head of Regulation, Euronext
- 12:30 - 2:00 Opening Luncheon
- 2:00 – 3:00 **PLENARY SESSION III – Addressing Regulatory Issues Arising From Cross-Border Mergers of Derivatives and Equity Exchanges**
- The panelists will discuss issues such as the following: what is the impact of exchange mergers on each regulator’s domestic supervisory and enforcement responsibilities; what are the potential effects on the supervision of clearing; what are the areas where regulators may need to coordinate their efforts; should regulators allocate their respective supervisory responsibilities and if so, on what basis; alternatively, is there a need for a national/super regulator.
- Moderator:** Verena Ross, Head, Market Infrastructure Supervision Department
Financial Services Authority, United Kingdom
- Presenters:** Henk F.W. Bruggeman, Head, Market and Exchanges
Netherlands Authority for Financial Markets (AFM)
John Krslovic, Manager (Derivatives) Markets Regulation
Australia Securities & Investments Commission (ASIC)
Jerrold E. Salzman, Esq., Partner, Freeman & Salzman
Nicholas Weinreb, Group Head of Regulation, Euronext
- 3:00 – 3:15 Coffee Break
- 3:15 - 4:00 **PLENARY SESSION IV– The Nuts and Bolts of Self-Regulatory Organizations (SROs)**
- This session will cover the effective use of regulatory resources and cooperation between statutory regulators, self-regulatory organizations and the markets to allow for greater efficiencies, wider regulatory coverage and a reduction in duplicative or misdirected efforts. Topics covered during this session will include delegation of functions, cross training and resource sharing, information sharing and investigative cooperation to ensure that markets and their regulators are effectively meeting their regulatory objectives.
- Presenter:** Karen Wuertz, Vice President, Strategic Planning & Development, National Futures Association
- 4:00 – 5:00 **PLENARY SESSION V – Regulatory Proposals for SRO Governance in Today's Changing Environment**
- This panel will discuss how regulators have addressed concerns raised by changes in exchange structure, specifically, exchanges evolving from member-owned to profit-making companies. The panelists will describe how regulators are addressing concerns that the exchange performs its regulatory functions adequately, fairly, and efficiently given the perception that a demutualized, for-profit market operator might have a greater incentive to misuse its regulatory authority or be less diligent in fulfilling its regulatory responsibilities in an effort to increase profits.
- Presenters:** Cindy Petlock, Manager, Market Regulation, Ontario Securities Commission, Canada
Rachel Berdansky, Acting Deputy Director, DMO, CFTC
- 5:00 - 7:00 Cocktail Reception - Federal Reserve Mezzanine

- 9:00 – 10:45 **Designing Commodity Futures Contracts to Avoid Manipulation**
The presenter will explain the essential prerequisites for success of commodity futures contracts and explain why contracts fail. This discussion will specifically emphasize how derivative contracts should be designed and monitored to render them not susceptible to manipulation.
- Presenter:** James Overdahl, Chief Economist, CFTC
- 10:45 – 11:00 Coffee Break
- 11:00 – 12:30 **Market Manipulation in Commodities – A Case Study in Detecting and Deterring Abuses**
This session will focus on how a cash market manipulation affects the futures markets and how to detect and deter such abuses.
- Presenters:** Rosemary Hollinger, Associate Director, Division of Enforcement, CFTC
Hugh Rooney, Senior Futures Trading Investigator, Division of Enforcement, CFTC
- 12:30 – 2:00 Lunch – independent of the seminar
- 2:00 – 3:30 **Case Studies of Market Monitoring**
The expert will explain how to detect, deter and prevent on-exchange market manipulations.
- Presenter:** Eric Wolff, Managing Director, Regulatory Affairs, Chicago Mercantile Exchange, Inc.
- 3:30 – 5:00 **Crisis Management – A Practice Session**
This discussion is interactive and uses hypotheticals to demonstrate market events where multiple regulators and multiple market authorities and intermediaries may need to work together to find practical solutions. The interactive session will address the roles of the regulator, self-regulator and practitioner during and after a crisis, a loss of confidence, or a specific compliance event, and the tools available to the regulator, the exchanges and firms to address such occurrences.
- Moderator:** Eileen Flaherty, Principal, Global Capital Group Ltd.

- 8:00 – 10:00 **Visit to an Exchange**
The group will be divided into two sections.
Sections will visit either the Chicago Mercantile Exchange or the Chicago Board of Trade.
- 10:00 - 11:15 **The Effect of Error Trading on Market Integrity as well as Price Formation**
The presenter will discuss whether error trades affect a market's expectation of price, whether the composition of traders and types of trades change when an error occurs, whether certain traders trade more aggressively during an erroneous run up or run down, and whether the market reacts to the later announcement of the error trade.
- Presenter:** Michael Haigh, Associate Chief Economist, Office of the Chief Economist, CFTC
- 11:15 – 12:30 **Proprietary Trading – New Global Issues for Regulators**
This panel will discuss how clearing firms and regulators should address proprietary trading.
- Presenters:** Kathryn M. Trkla, Partner, Foley & Lardner LLP
Carl Gilmore, General Counsel, Goldenberg Hehmeyer
John Brodersen, Associate Director, Compliance Department, NFA
- 12:30 – 2:00 **Luncheon**

- 2:00 – 3:00 **The Role of Index Investing in Futures Markets**
 This session will discuss the role of index investing in U.S. futures markets and in particular will present results from recent research on the role of index investing on U.S. crude oil markets. Questions to be addressed include: does swap trading create volatility around roll period, are other commodities starting to behave like oil, do swap traders affect price discovery in futures markets.
- Presenter:** Michael Haigh, Associate Chief Economist, Office of the Chief Economist, CFTC
- 3:00 – 3:20 **International Cooperation**
 This presenter will briefly describe how the CFTC cooperates with international authorities in cross-border enforcement investigations and cases.
- Presenter:** Susan Berkowitz, Deputy Chief Counsel, Division of Enforcement, CFTC
- 3:20 – 3:30 Coffee Break
- 3:30 – 5:00 **Cross-Border Enforcement Investigations Focusing on Hedge Funds**
 This session will cover the investigative techniques and tools used by the CFTC in real-time enforcement, particularly in cross-border investigations. The presenters will use examples of U.S. enforcement actions with international implications. The session also will include interactive discussion on futures and options fraud and of the challenges involved in investigating a hypothetical cross-border manipulation case. Participation and sharing of cross-border examples will be encouraged.
- Instructors:** Rosemary Hollinger, Associate Director, Division of Enforcement, CFTC
 Thomas Koprowski, Senior Futures Trading Investigator, Division of Enforcement, CFTC

THURSDAY - OCTOBER 19, 2006 **CLEARING AND INTERMEDIARY OVERSIGHT**

- 9:00-10:30 **The Clearing Process and the Supervision of Clearinghouses**
 This presentation will describe the clearing process for exchange traded futures and options and how the CFTC supervises clearinghouses. It will include a description of what clearing is, who the participants are, and how clearinghouses are organized.
- Presenter:** Ananda Radhakrishnan, Director, Division of Clearing and Intermediary Oversight, CFTC
- 10:30–10:45 Coffee Break
- 10:45-12:00 **Supervision of Intermediaries & Money Managers**
 This presentation will describe the supervisory scheme for commodity brokers and money managers. It will include description of the CFTC’s regulatory scheme for futures commission merchants (FCMs), introducing brokers (IBs), commodity pool operators (CPOs) and commodity trading advisers (CTAs).
- Presenter:** Ananda Radhakrishnan, Director, Division of Clearing and Intermediary Oversight, CFTC
- 12:00 – 2:00 Lunch – independent of the seminar
- 2:00 – 3:30 **Trade Practice Surveillance**
 This session includes a discussion on various approaches to the detection, investigation and prosecution of specific trade practice violations. This session will use actual cases to illustrate how the CFTC investigates individual trading activity.
- Presenter:** Richard Fung, Branch Chief, Division of Market Oversight, CFTC
- 3:30 – 3:45 Coffee Break

3:45 – 5:00

Cross-Border Issues for Regulators of Intermediaries

What does the industry think regulators should know about cross-border business?

Hear their thoughts on three key topics: 1) obstacles to conducting business globally when some jurisdictions do not support the use of omnibus accounts and/or give-up relationships; 2) the challenges of e-trading: how diverse rules increase systemic risk globally; and 3) the Refco dilemma: how diverse rules globally cause client confusion regarding the status of their accounts with brokers.

Moderator: Gary DeWaal, Group General Counsel, Fimat Group

Panelists: Bruce Beatus, General Counsel, Caylon Financial, Inc.
Ronald Filler, Managing Director, Lehman Brothers Inc.
Donald Horwitz, Director of Compliance-General Counsel, Global Futures UBS
Kenneth Rosenzweig, Partner, Katten Muchin Rosenman, LLP

FRIDAY - OCTOBER 20, 2006

ROLE OF ETHICS IN REGULATION

9:30 – 10:30

Conflicts of Interests for Market Intermediaries: A Regulator's Perspective

Intermediaries provide a wide array of services that facilitate virtually every aspect of the capital raising, risk shifting, investment, and trading processes. This presentation provides a basis for understanding and analyzing the inherent conflicts of interest that regulators should be aware of that arise for money managers, brokers, exchanges, and other providers of intermediary services.

Presenter: Stewart Mayhew, Assistant Chief Economist, Office of Economic Analysis
U.S. Securities and Exchange Commission

10:30 – 12:00

Addressing Scandal – Using Ethics as a Supervisory Tool

This is an interactive session using case studies on approaching ethical dilemmas that confront regulators, practitioners and market participants.

Instructor: John Sanaghan, Director, Professional Conduct Training, Institute for Financial Markets

12:00 - 1:45

Closing Luncheon; Presentation of Certificates to Participants

1:45 - 3:00

Tour of the Federal Reserve Bank

3:00

Adjournment

MONDAY - OCTOBER 23, 2006

OPTIONAL WORKSHOPS

Practical sessions with the regulators and self-regulators: on-site workshops at the CFTC on the problems and issues of interest to each symposium participant, such as, contract design, surveillance, enforcement, market oversight, financial and conduct of business oversight, audit, and clearing issues.