



COMMODITY FUTURES TRADING COMMISSION

Hearing on Self-Regulation and Self-Regulatory Organizations in the US Futures Industry

February 15, 2006

10:00-10:15 **Welcome and Opening Statements**

Chairman Reuben Jeffery III
Commissioner Walter L. Lukken
Commissioner Sharon Brown-Hruska
Commissioner Fred Hatfield
Commissioner Michael V. Dunn

10:15-12:00 **Panel I: Board Composition in an Evolving Futures Industry**

<i>John M. Damgard</i>	<i>President, Futures Industry Association</i>
<i>Craig S. Donohue</i>	<i>Chief Executive Officer, Chicago Mercantile Exchange</i>
<i>Jeffrey Jennings</i>	<i>Managing Director and Global Head of Futures, Lehman Brothers</i>
<i>Roberta S. Karmel</i>	<i>Centennial Professor of Law, Brooklyn Law School</i>
<i>James E. Newsome</i>	<i>President, New York Mercantile Exchange</i>

How should SROs' boards of directors be structured to effectively address potential conflicts of interest in self-regulation? What is the appropriate level of member and independent director representation? How should "independent director" be defined? Are current procedures for the nomination and election of directors adequate? What impact will securities exchanges' listing standards have on the composition of SROs' boards of directors?

12:00-1:00 **Lunch** (to be provided for panelists)

1:00-2:15 **Panel II: Alternative Regulatory Structures—Regulatory Oversight Committees and Third Party Regulatory Providers**

<i>John M. Damgard</i>	<i>President, Futures Industry Association</i>
<i>Craig S. Donohue</i>	<i>Chief Executive Officer, Chicago Mercantile Exchange</i>
<i>Christopher K. Hehmeyer</i>	<i>Co-Chairman, Goldenberg Hehmeyer & Company</i>
<i>Susan M. Phillips</i>	<i>Dean, The George Washington University School of Business</i>
<i>Daniel J. Roth</i>	<i>President, National Futures Association</i>

How can SROs effectively insulate their regulatory functions from commercial considerations and influence? Are regulatory oversight committees or similar entities an effective option? If so, what is the appropriate composition, role, and authority of such entities?

Can free-standing SRO regulatory subsidiaries, with separate boards of directors, management, and funding, offer more effective self-regulation than fully-integrated regulatory departments?

Are alternative regulatory models, with greater distance between regulatory and commercial functions, more appropriate for highly competitive, for-profit, publicly-traded SROs? Such models could include an industry super-regulator to perform all member firm regulation, trade practice surveillance, and market surveillance; or a hybrid model, with the super-regulator performing member firm regulation and SROs continuing market and trade practice surveillance. Do such alternative regulatory models sacrifice necessary exchange-specific expertise?

2:15-2:30 **Break**

2:30-3:45

**Panel III: Enhancing Self-Regulation Through Increased SRO
Transparency and Disclosure**

<i>Mark G. Bagan</i>	<i>President and Chief Executive Officer, Minneapolis Grain Exchange</i>
<i>Bernard W. Dan</i>	<i>President and Chief Executive Officer, Chicago Board of Trade</i>
<i>Michael Schaefer</i>	<i>Managing Director, Citigroup Global Markets</i>
<i>Ruben Lee</i>	<i>Managing Director, Oxford Finance Group</i>
<i>James E. Newsome</i>	<i>President, New York Mercantile Exchange</i>

Will increased transparency and disclosure by SROs help to increase public and industry confidence in the self-regulatory process? What governance, compensation, regulatory, or other information should SROs make available to the public or report to the CFTC? How should market participants, including futures commission merchants, participate in the SRO rule-making process?

Should SROs disclose their regulatory expenditures to the CFTC on a regular basis? In addition to inclusion in NFA's BASIC database, should SROs publish final disciplinary actions on their websites for easy public access?

Should compensation plans for SROs' directors, senior executives, and regulatory officers be disclosed to the public or reported to the CFTC? Do compensation plans that include stock options, or are otherwise tied to stock price or commercial performance, raise potential conflicts of interest for SROs' regulatory officers and staff?

3:45-4:00

Break

4:00-5:15

Panel IV: Balancing Expertise and Impartiality on SRO Disciplinary Committees

<i>Bernard W. Dan</i>	<i>President and Chief Executive Officer, Chicago Board of Trade</i>
<i>Jeffrey Jennings</i>	<i>Managing Director and Global Head of Futures, Lehman Brothers</i>
<i>Audrey R. Hirschfeld</i>	<i>Senior Vice President and General Counsel, New York Board of Trade</i>
<i>Joseph W. Ott</i>	<i>Vice President—Compliance, Kansas City Board of Trade</i>
<i>Daniel J. Roth</i>	<i>President, National Futures Association</i>

What is the appropriate balance between impartiality and expert decision-making on SROs' disciplinary committees and panels? How should individual panels be organized (public representatives, different categories of SRO members, and SRO staff) to achieve that balance? Should committee and/or panel chairmen be SRO members, independent persons, or SRO staff? How should disciplinary committee members be selected?

Is it difficult for SROs to find a sufficient number of qualified disciplinary committee and panel members? Should disciplinary committee and panel members be compensated?

Should disciplinary fines imposed by committees, panels, and compliance staff be specifically allocated to regulatory operations?

5:15-5:30

Closing Statements