



## U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of  
Market Oversight

CFTC letter No. 06-01  
January 9, 2006  
No-Action  
Division of Market Oversight

[identical letters sent to all designated contract markets]

Re: Staff no-action position with regard to reporting the listing of discretionary option strike prices

Dear \_\_\_\_\_:

The purpose of this no-action letter is to inform designated contract markets (“DCMs”) of the Division of Market Oversight’s (“Division”) position with respect to reporting the listing of discretionary option strike prices to the Commission. The Division’s intent is to relieve DCMs, and the Division’s staff, of the respective burdens of filing and processing unnecessary, duplicative data regarding such discretionary option strike price listings.

The strike prices of options on futures or options on physicals listed by each DCM are set out in the rules of those entities. As a general matter, pursuant to Section 5c(c)(1) of the Commodity Exchange Act (“Act”) registered entities (including DCMs) may elect to approve and implement new rules or rule amendments by providing to the Commission a written certification that the new rules or rule amendments comply with the Act and the Commission’s regulations. Section 40.6 of the Commission’s regulations specifies the method whereby DCMs may submit such new rules or rule amendments under self-certification. Notwithstanding the certification requirements, Section 40.6(c) permits DCMs to place certain non-substantive, technical or procedural rule changes into effect without any certification, provided the DCM includes such rule changes in a “Weekly Notification of Rule Changes” furnished to the Commission pursuant to procedures set out in Section 40.6(c). Under Section 40.6(c)(2)(iv), the rule changes that may appear in such weekly notifications include “Changes to option contract rules relating to ... the listing of strike prices on a discretionary basis.”

The information the Division receives with respect to the listing of discretionary option strike prices pursuant to Section 40.6(c)(2)(iv) is essentially the same as the information that is separately required under Part 16 of the Commission’s regulations. In particular, Section 16.01 stipulates that each DCM must submit to the Commission on a daily basis various trade data, including volume, open interest and price information for all listed option strike prices, including discretionary strike prices.

Accordingly, to reduce the burden of requiring DCMs to submit multiple filings of the same information, the Division is adopting the following no-action position:

Effective upon issuance of this no-action letter, the requirement for DCMs to file notifications of changes to discretionary option strike prices, pursuant to Section 40.6(c)(2)(iv) of the Commission's regulations, can be satisfied by complying with the daily reporting requirements of Section 16.01 of the Commission's regulations. Therefore, if a DCM complies with the daily reporting requirements of Section 16.01 of the Commission's regulations, the Division will not recommend enforcement action to the Commission for the DCM's failure to include discretionary option strike price data in the weekly notifications it files pursuant to Section 40.6 (c).

This letter represents the position of the Division of Market Oversight and does not necessarily represent the views of the Commission or any other division or office of the Commission.

If you have any questions concerning this correspondence, please contact Donald H. Heitman (dheitman@cftc.gov, 202-418-5041) or Martin Murray (mmurray@cftc.gov, 202-418 5276) of my staff.

Very truly yours,

Richard A. Shilts  
Director,  
Division of Market Oversight