



Commodity Futures Trading Commission

Office of Public Affairs

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Advanced Notice of Proposed Rulemaking on Disruptive Trading Practices

The Commodity Futures Trading Commission (CFTC) announced the publication in the Federal Register of an Advanced Notice of Proposed Rulemaking concerning disruptive trading practices under the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

On July 21, 2010, the Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act. Among other things, section 747 of the Dodd-Frank Act amended the Commodity Exchange Act to expressly prohibit certain disruptive practices.

- In section 747 of the Dodd-Frank Act, Congress amended the CEA to expressly prohibit certain trading practices that it determined were disruptive of fair and equitable trading. Dodd-Frank section 747 amends section 4c(a) of the CEA to make it unlawful for any person to engage in any trading, practice, or conduct on or subject to the rules of a registered entity that—
 - A. violates bids or offers;
 - B. demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period; or
 - C. is, is of the character of, or is commonly known to the trade as, “spoofing” (bidding or offering with the intent to cancel the bid or offer before execution).
- Dodd-Frank section 747 also amends section 4c(a) by granting the Commission authority to promulgate such “rules and regulations as, in the judgment of the Commission, are reasonably necessary to prohibit the trading practices” enumerated there “and any other trading practice that is disruptive of fair and equitable trading.” The prohibition on the disruptive practices specified in new section 4c(a) will become effective 360 days after the enactment of the Dodd-Frank Act, i.e. on July 16, 2011.
- Commenters are also encouraged to address all of the questions in the ANOPR. For example should rules be adopted that are specifically applicable to the use of algorithmic trading methodologies and programs that are reasonably necessary to prevent algorithmic trading systems from disrupting fair and equitable trading; and what duties of supervision over trades should be required to prevent disruptive trading practices?

On October 26, 2010, the Commission issued an Advanced Notice of Proposed Rulemaking to encourage comments to address specifically enumerated questions concerning the statutory provisions and any other rules the Commission should consider under the rulemaking authority of Section 747.

The comment period closes on [insert 60 days from publication in FR].