



U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of
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CFTC Staff Advisory No. 13-14
No-Action; Other Written Communication
May 8, 2013
Division of Market Oversight

DIVISION OF MARKET OVERSIGHT ADVISORY AND NO-ACTION POSITION
Obligation of Reportable Market Participants to File CFTC Form 304 Reports for Call Cotton in a Timely Manner as Required by Commission Regulation 19.02; No-Action Position with Respect to Email as an Accepted Form of Transmitting Form 304 Reports for Call Cotton.

I. Introduction and Background

The Division of Market Oversight (“DMO”) of the Commodity Futures Trading Commission (“Commission”) issues this advisory to remind reportable market participants of their ongoing legal obligation to comply in a timely manner with Regulation 19.02,¹ which prescribes the form and manner for submitting weekly Form 304 reports for “call cotton” to the Commission.² Timely self-reporting by market participants is critical to the Commission’s efforts to publish its weekly “Cotton On-Call Report.” This advisory reiterates existing legal requirements and may not be relied upon by any person to seek to excuse past violations.

II. Commission Regulation 19.02 Requirements

Regulation 19.02(a) requires merchants and dealers of cotton holding or controlling 100 or more contracts for future delivery in cotton³ to file a Form 304 report showing the quantity of call cotton bought or sold on which the price has not been fixed, together with the respective futures on which the purchase or sale is based. Regulation 19.02(b) requires that the Form 304 report for call cotton be made weekly as of the close of business on Friday, and filed with the Commission’s Office in New York, NY no later than the second business day following the date of the report. That regulation also provides that reports may be transmitted by facsimile or by telephone and mail.

DMO notes that a market participant must file a Form 304 report for call cotton each week that it maintains a long position in cotton futures of 100 or more contracts, regardless of whether any call cotton was actually bought or sold during the week. Failure to file Form 304 reports in a timely manner as required by Regulation 19.02(b) constitutes a violation of

¹ 17 CFR 19.02.

² “Call cotton” refers to physical cotton bought or sold, or contracted for purchase or sale at a price to be fixed later based upon a specified delivery month future’s price.

³ See 17 CFR 19.00(a)(2) (citing 17 CFR 15.00(p)(1)(i)).

Regulation 19.02, which is actionable under the Commodity Exchange Act (“CEA”) and Commission regulations.⁴

III. Email as an Accepted Form of Transmission Under Regulation 19.02

Additionally, DMO believes that the use of e-mail by market participants for filing their Form 304 Reports with the Commission is acceptable under Regulation 19.02. Accordingly, DMO will not recommend that the Commission commence an enforcement action against market participants with a reporting obligation for call cotton under Regulation 19.02 for transmitting Form 304 reports via email to Form304@cftc.gov.

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Issued in Washington, D.C. on May 8, 2013, by the Division of Market Oversight.

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⁴ See, e.g., sections 6(c)(10) and 6c of the CEA (7 U.S.C. § 15, 13a-1) regarding sanctions for violations of the CEA and Commission regulations, and CEA section 9(a)(5) (7 U.S.C. § 13(a)(5)) regarding criminal penalties for willful violations of Commission regulations.