

Commodity Futures Trading Commission

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the information requested may be limited to certain conditions and requirements of sections 5 and 5a(a) of the Act and these regulations.

(b) Any failure by a contract market to continue to comply with the conditions and requirements for designation as a contract market as set forth in sections 5 and 5a(a) of the Act or these regulations, and any failure or refusal to file the information required by this section shall be cause for action by the Commission under the Act or these regulations.

(c) Upon showing of good cause by a contract market, the Commission may extend for a reasonable time the filing date for any report under this section.

(Approved by the Office of Management and Budget under control numbers 3038-0007 and 3038-0016)

[46 FR 54525, Nov. 3, 1981, as amended at 46 FR 63035, Dec. 30, 1981; 59 FR 5526, Feb. 7, 1994]

§ 1.51 Contract market program for enforcement.

(a) Each contract market shall use due diligence in maintaining a continuing affirmative action program to secure compliance with the provisions of sections 5, 5a(a), 5b, 6(b), 6b, 8a(7), 8a(9) and 8c of the Act, with the regulations implementing section 4c(c) of the Act, and with all of the contract market's bylaws, rules, regulations and resolutions which such contract market is required by the Act or these regulations to enforce. Such program shall include:

(1) Surveillance of market activity for indications of possible congestion or other market situations conducive to possible price distortion;

(2) Surveillance of trading practices on the floor of such contract market;

(3) Examination of the books and records kept by contract market members relating to their business of dealing in commodity futures, commodity options, and cash commodities, insofar as such business relates to their dealing on such contract market;

(4) Investigation of complaints received from customers or option customers concerning the handling of their accounts or orders;

(5) Investigation of all other alleged or apparent violation of such bylaws, rules, regulations and resolutions;

(6) Such other surveillance, record examination and investigation as is necessary to enforce such bylaws, rules, regulations and resolutions; and

(7) A procedure which results in the taking of prompt, effective disciplinary action for any violation which is found to have been committed.

(b) Each contract market shall keep full, complete, and systematic records which will clearly set forth all action taken as a part of, and as a result of, its program required under paragraph (a) of this section.

(Approved by the Office of Management and Budget under control numbers 3038-0007 and 3038-0022)

(Sec. 5a, 49 Stat. 1497; 7 U.S.C. 7a)

[41 FR 3194, Jan. 21, 1976, as amended at 46 FR 54525, Nov. 3, 1981; 46 FR 63035, Dec. 30, 1981; 59 FR 5526, Feb. 7, 1994]

§ 1.52 Self-regulatory organization adoption and surveillance of minimum financial requirements.

(a) Each self-regulatory organization must adopt, and submit for Commission approval, rules prescribing minimum financial and related reporting requirements for all its members who are registered futures commission merchants. Each self-regulatory organization other than a contract market must adopt, and submit for Commission approval, rules prescribing minimum financial and related reporting requirements for all its members who are registered introducing brokers. Each contract market which elects to have a category of membership for introducing brokers must adopt, and submit for Commission approval, rules prescribing minimum financial and related reporting requirements for all its members who are registered introducing brokers. Each self-regulatory organization shall submit for Commission approval any modification or other amendments to such rules. Such requirements must be the same as, or more stringent than, those contained in §§ 1.10 and 1.17 and the definition of adjusted net capital must be the same as that prescribed in § 1.17(c): *Provided, however*, A designated self-regulatory organization may permit its member

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registrants which are registered with the Securities and Exchange Commission as securities brokers or dealers to file (in accordance with §1.10(h)) a copy of their Financial and Operational Combined Uniform Single Report under the Securities Exchange Act of 1934, Part II or Part IIA, in lieu of Form 1-FR: And, *provided further*, A designated self-regulatory organization may permit its member introducing brokers to file a Form 1-FR-IB in lieu of a Form 1-FR-FCM.

(b) Each self-regulatory organization shall have in effect and enforce rules submitted to the Commission pursuant to paragraph (a) of this section and approved by the Commission.

(c) Any two or more self-regulatory organizations may file with the Commission a plan for delegating to a designated self-regulatory organization, for any registered futures commission merchant or any registered introducing broker which is a member of more than one such self-regulatory organization, the responsibility of:

(1) Monitoring and auditing for compliance with the minimum financial and related reporting requirements adopted by such self-regulatory organizations in accordance with paragraph (a) of this section; and

(2) Receiving the financial reports necessitated by such minimum financial and related reporting requirements.

Such plan may also delegate the responsibility of monitoring, and examining the books and records kept by, such registered futures commission merchant or registered introducing broker relating to its business of dealing in commodity futures, commodity options, and cash commodities, insofar as such business relates to its dealings on contract markets, as required by §1.51(a)(3) and/or part 33 of this chapter.

(d) Any plan filed under this section may contain provisions for the allocation of expenses reasonably incurred by the designated self-regulatory organization among the self-regulatory organizations participating in such a plan.

(e) A plan's designated self-regulatory organization must report to that plan's other self-regulatory organizations any violation of such other

self-regulatory organizations' rules and regulations for which the responsibility to monitor, audit or examine has been delegated to such designated self-regulatory organization under this section.

(f) The self-regulatory organizations may, among themselves, establish programs to provide access to any necessary financial or related information.

(g) After appropriate notice and opportunity for comment, the Commission may, by written notice, approve such a plan, or any part of the plan, if it finds that the plan, or any part of it:

(1) Is necessary or appropriate to serve the public interest;

(2) Is for the protection and in the interest of customers or option customers;

(3) Reduces multiple monitoring and auditing for compliance with the minimum financial rules of the self-regulatory organizations submitting the plan for any futures commission merchant or introducing broker which is a member of more than one self-regulatory organization;

(4) Reduces multiple reporting of the financial information necessitated by such minimum financial and related reporting requirements by any futures commission merchant or introducing broker which is a member of more than one self-regulatory organization;

(5) Fosters cooperation and coordination among the contract markets; and

(6) Does not hinder the development of a registered futures association under section 17 of the Act.

(h)(1) Upon the approval of a plan or part of one under paragraph (g) of this section, a self-regulatory organization which is included in such a plan shall be considered to have met its affirmative action responsibilities under §1.51 to the extent that such responsibilities have been delegated to a designated self-regulatory organization.

(2) After the Commission has approved a plan or part of one under §1.52(g), a self-regulatory organization relieved of responsibility must notify each of its members which is subject to such a plan: (i) Of the limited nature of its responsibility for such a member's compliance with its minimum financial and related reporting requirements; and (ii) of the identity of the designated self-regulatory organization

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which has been delegated responsibility for such a member.

(i) The Commission may at any time, after appropriate notice and opportunity for hearing, withdraw its approval of any plan or part of one established under this section, if such plan or part of one ceases to effectuate adequately the purposes of section 4(f)(b) of the Act or of this section.

(j) Whenever a registered futures commission merchant or a registered introducing broker holding membership in a self-regulatory organization ceases to be a member in good standing of that self-regulatory organization, such self-regulatory organization must, on the same day that event takes place, give telegraphic notice of that event to the principal office of the Commission in Washington, DC and send a copy of that notification to such futures commission merchant or such introducing broker.

(k) Nothing in this section shall preclude the Commission from examining any futures commission merchant or introducing broker for compliance with the minimum financial and related reporting requirements to which such futures commission merchant or introducing broker is subject.

(l) In the event a plan is not filed and/or approved for each registered futures commission merchant or for each registered introducing broker which is a member of more than one self-regulatory organization, the Commission may design and, after notice and opportunity for comment, approve a plan for those futures commission merchants or introducing brokers which are not the subject of an approved plan (under paragraph (g) of this section), delegating to a designated self-regulatory organization the responsibilities described in paragraph (c) of this section.

(Approved by the Office of Management and Budget under control numbers 3038-0007 and 3038-0022)

(7 U.S.C. 6c, 6d, 6f, 6g, 7a, 12a, 19, and 21; 5 U.S.C. 552, 5 U.S.C. 552b, and secs. 2(a)(11), 4b, 4f, 4g, 5a, 8a, and 17 of the Commodity Exchange Act, 7 U.S.C. 4a(j), 6b, 6f, 6g, 7a, 12a, and 21, as amended, 92 Stat 865 *et seq.*)

[43 FR 39981, Sept. 8, 1978, as amended at 46 FR 63035, Dec. 30, 1981; 48 FR 35290, Aug. 3, 1983; 53 FR 4612, Feb. 17, 1988; 59 FR 5526, Feb. 7, 1994; 62 FR 4641, Jan. 31, 1997]

§ 1.53 Enforcement of contract market bylaws, rules, regulations, and resolutions.

Each contract market shall enforce each bylaw, rule, regulation, and resolution, made or issued by it or by the governing board thereof or any committee thereof, which is in effect as of July 18, 1975, and which relates to terms and conditions in contracts of sale to be executed on or subject to the rules of such contract market or relates to other trading requirements, unless such bylaw, rule, regulation, or resolution has been disapproved by the Commission pursuant to section 5a(a)(12)(A) of the Act, or the amendment or revocation of such bylaw, rule, regulation or resolution has been approved by the Commission pursuant to section 5a(a)(12)(A) of the Act.

(Secs. 5, 5a, 6, 6b; 42 Stat. 1000, 1001, 49 Stat. 1497, 1498, 82 Stat. 29, 30, 31, 88 Stat. 1392, 1400, 1401, 1402; 7 U.S.C. 7, 7a, 8, 13a)

[41 FR 3194, Jan. 21, 1976, as amended at 59 FR 5526, Feb. 7, 1994]

§ 1.54 Contract market rules submitted to and approved or not disapproved by the Secretary of Agriculture.

Notwithstanding any provision of these rules, any bylaw, rule, regulation, or resolution of a contract market that was submitted to the Secretary of Agriculture pursuant to § 1.38(a) or § 1.39(a) of these rules, and was either approved by the Secretary or not disapproved by him, as of April 21, 1975, shall continue in full force and effect unless and until disapproved, altered or supplemented by or with the approval of the Commission. The adoption of this rule does not constitute approval by the Commission of any contract market bylaw, rule, regulation or resolution.

(Sec. 411, Pub. L. 93-463, 88 Stat. 1414; 7 U.S.C. 4a note)

[45 FR 2314, Jan. 11, 1980]

§ 1.55 Distribution of "Risk Disclosure Statement" by futures commission merchants and introducing brokers.

(a)(1) Except as provided in 1.65, no futures commission merchant, or in the case of an introduced account no introducing broker, may open a commodity futures account for a customer,