

§ 155.4

17 CFR Ch. I (4-1-01 Edition)

(2) Prevent affiliated persons from placing orders, directly or indirectly, with another futures commission merchant in a manner designed to circumvent the provisions of paragraph (a)(1) of this section.

(b) No futures commission merchant or any of its affiliated persons shall:

(1) Disclose that an order of another person is being held by the futures commission merchant or any of its affiliated persons, unless such disclosure is necessary to the effective execution of such order or is made at the request of an authorized representative of the Commission, the contract market on which such order is to be executed, or a futures association registered with the Commission pursuant to section 17 of the Act; or

(2) Knowingly take, directly or indirectly, the other side of any order of another person revealed to the futures commission merchant or any of its affiliated persons by reason of their relationship to such other person, except with such other person's prior consent and in conformity with contract market rules approved by the Commission.

(c) No futures commission merchant shall knowingly handle the account of any affiliated person of another futures commission merchant or of an introducing broker unless the futures commission merchant:

(1) Receives written authorization from a person designated by such other futures commission merchant or introducing broker with responsibility for the surveillance over such account pursuant to paragraph (a)(2) of this section or § 155.4 (a)(2), respectively;

(2) Prepares immediately upon receipt of an order for such account a written record of such order, including the account identification and order number, and records thereon, by time-stamp or other timing device, the date and time, to the nearest minute, the order is received; and

(3) Transmits on a regular basis to such other futures commission merchant or introducing broker copies of all statements for such account and of all written records prepared upon the receipt of orders for such account pursuant to paragraph (c)(2) of this section.

(d) No affiliated person of a futures commission merchant shall have an account, directly or indirectly, with another futures commission merchant unless:

(1) Such affiliated person receives written authorization to maintain such an account from a person designated by the futures commission merchant with which such person is affiliated with responsibility for the surveillance over such account pursuant to paragraph (a)(2) of this section; and

(2) Copies of all statements for such account and of all written records prepared by such other futures commission merchant upon receipt of orders for such account pursuant to paragraph (c)(2) of this section are transmitted on a regular basis to the future commission merchant with which such person is affiliated.

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

(Secs. 2(a)(1), 4c(a)-(d), 4d, 4f, 4g, 4k, 4m, 4n, 8a, 15 and 17, Commodity Exchange Act (7 U.S.C. 2, 4, 6c(a)-(d), 6f, 6g, 6k, 6m, 6n, 12a, 19 and 21; 5 U.S.C. 552 and 552b))

[41 FR 56142, Dec. 23, 1976, as amended at 44 FR 71821, Dec. 12, 1979; 46 FR 54535, Nov. 3, 1981; 46 FR 63036, Dec. 30, 1981; 47 FR 57020, Dec. 22, 1982; 48 FR 35304, Aug. 3, 1983]

§ 155.4 Trading standards for introducing brokers.

(a) Each introducing broker shall, at a minimum, establish and enforce internal rules, procedures and controls to:

(1) Insure, to the extent possible, that each order received from a customer or from an option customer which is executable at or near the market price is transmitted to the futures commission merchant carrying the account of the customer or option customer before any order in any future or in any commodity option in the same commodity for any proprietary account, any other account in which an affiliated person has an interest, or any account for which an affiliated person may originate orders without the prior specific consent of the account owner, if the affiliated person has gained knowledge of the customer's or option customer's order prior to the transmission to the floor of the appropriate

Commodity Futures Trading Commission

§ 155.5

contract market of the order for a proprietary account, an account in which the affiliated person has an interest, or an account in which the affiliated person may originate orders without the prior specific consent of the account owner; and

(2) Prevent affiliated persons from placing orders, directly or indirectly, with any futures commission merchant in a manner designed to circumvent the provisions of paragraph (a)(1) of this section.

(b) No introducing broker or any of its affiliated persons shall:

(1) Disclose that an order of another person is being held by the introducing broker or any of its affiliated persons, unless such disclosure is necessary to the effective execution of such order or is made at the request of an authorized representative of the Commission, the contract market on which such order is to be executed, or a futures association registered with the Commission pursuant to section 17 of the Act; or

(2) Knowingly take, directly or indirectly, the other side of any order of another person revealed to the introducing broker or any of its affiliated persons by reason of their relationship to such other person, except with such other person's prior consent and in conformity with contract market rules approved by the Commission.

(c) No affiliated person of an introducing broker shall have an account, directly or indirectly, with any futures commission merchant unless:

(1) Such affiliated person receives written authorization to maintain such an account from a person designated by the introducing broker with which such person is affiliated with responsibility for the surveillance over such account pursuant to paragraph (a)(2) of this section; and

(2) Copies of all statements for such account and of all written records prepared by such futures commission merchant upon receipt of orders for such account pursuant to §155.3(c)(2) are transmitted on a regular basis to the introducing broker with which such person is affiliated.

[48 FR 35304, Aug. 3, 1983]

§ 155.5 Prohibition of dual trading by floor brokers.

(a) *Definitions.* For purposes of this section:

(1) *Trading session* means the hours during which a contract market is scheduled to trade continuously during a trading day, as set forth in contract market rules, including any related post-settlement trading session. A contract market may have more than one trading session during a trading day.

(2) *Customer* means an account owner for which a trade is designated with the customer type indicator prescribed under Commission regulation 1.35(e)(4).

(3) *Contract market* means any contract separately designated by the Commission, *provided, that* two or more contracts trading concurrently pursuant to a single designation order on other than a transitory basis and for which the contract terms differ significantly other than as to delivery or expiration months shall each be considered a contract market for purposes of this section, and *provided further, that* screen-based trading in a contract designated by the Commission to the extent conducted through a competitive auction process pursuant to an algorithm that applies non-discretionary rules of priority as permitted under contract market rules made effective under the Act shall be considered a separate contract market for purposes of this section.

(4) *Dual trading* means the execution of customer orders by a floor broker during the same trading session in which the floor broker executes directly or initiates and passes to another member for execution a transaction in the same contract market for:

(i) The floor broker's own account;

(ii) Any account in which the floor broker's ownership interest or share of trading profits is ten percent or more;

(iii) An account for which the floor broker has trading discretion; or

(iv) Any other account controlled by a person with whom such floor broker is subject to trading restrictions under section 4j(d) to the extent section 4j(d) has been applied by Commission rule or order.

(5) *Daily trading volume* means the total number of sells (or buys) executed