



Commodity Futures Trading Commission

Office of Public Affairs

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Q & A – Core Principles and Other Requirements for Designated Contract Markets

What is the goal of the rulemaking?

The rulemaking implements Section 735 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), which amended Section 5 of the Commodity Exchange Act (“CEA”) governing the designation and operation of designated contract markets (“DCMs”). The rulemaking also implements the provisions under the Dodd-Frank Act that pertain to the processing, trading and execution of swaps on DCMs.

How did the Dodd-Frank Act amend the CEA, as applicable to DCMs?

The Dodd-Frank Act amended the DCM core principles by: (i) eliminating the eight criteria for designation as a contract market; (ii) amending most of the core principles, including incorporating the substantive requirements of the designation criteria; and (iii) adding five new core principles. Accordingly, all DCMs and DCM applicants must comply with a total of 23 core principles as a condition of obtaining and maintaining designation as a contract market.

The Dodd-Frank Act also amended the CEA to require that execution of certain swaps, those subject to the mandatory clearing requirement of Section 2(h), must occur on a DCM or a SEF, except where no DCM or SEF makes the swap available for trading.

How does the rulemaking implement the applicable provisions of the Dodd-Frank Act?

To implement the relevant provisions of the Dodd-Frank Act, the rulemaking codifies new and amended rules, guidance and acceptable practices applicable to DCMs and DCM applicants, under Part 38 of Title 17 of the Code of Federal Regulations. The rules, guidance and acceptable practices implement the amended core principles and incorporate the trading and execution of swaps on DCMs.

What are some examples of new or revised requirements that are adopted in the rulemaking?

The rulemaking adopts several new requirements for DCMs. Some examples include:

- The rules eliminate the ninety-day accelerated approval procedures for DCM applications and require that all applications for designation as a contract market be reviewed within 180 days, as required under the CEA.
- To streamline the application process, the rulemaking includes, under Part 38, a new DCM application form with a comprehensive list of instructions and documents that must accompany applications for designation as a contract market.
- To prevent market disruption, the rules require that DCMs implement trade risk control mechanisms, including pauses and halts to trading, under certain conditions.
- The rules require DCMs to meet specified financial resource requirements.
- The rules require DCMs to establish operational and system safeguard requirements.
- The rules describe specific requirements for DCMs that list swaps, including reporting and recordkeeping requirements.

Who is affected by the rulemaking?

The entities affected by the rules include all DCMs and DCM applicants that request designation as a contract market, and DCM market participants, DCM members and intermediaries.

When will the new rules, guidance and acceptable practices take effect?

The final rules, guidance and acceptable practices will take effect sixty days after publication of the final rules in the Federal Register, and DCMs must comply with most of the requirements sixty days after the effective date.