

105TH CONGRESS
2D SESSION

S. 1884

To amend the Commodity Exchange Act to remove the prohibition on agricultural trade options outside contract markets.

IN THE SENATE OF THE UNITED STATES

MARCH 31, 1998

Mr. ROBERTS introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To amend the Commodity Exchange Act to remove the prohibition on agricultural trade options outside contract markets.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. AGRICULTURAL TRADE OPTIONS OUTSIDE**
4 **CONTRACT MARKETS.**

5 The Commodity Exchange Act is amended by insert-
6 ing after section 4p (7 U.S.C. 6p) the following:

7 **“SEC. 4q. AGRICULTURAL TRADE OPTIONS OUTSIDE CON-**
8 **TRACT MARKETS.**

9 “(a) DEFINITIONS.—In this section:

1 “(1) AGRICULTURAL TRADE OPTION OUTSIDE A
 2 CONTRACT MARKET.—The term ‘agricultural trade
 3 option outside a contract market’ means an agree-
 4 ment, contract, or transaction (or class thereof) en-
 5 tered into on other than a contract market for—

6 “(A) the purchase of an agricultural trade
 7 option involving a commodity by a person who
 8 is a producer, processor, commercial user, or
 9 merchant handler of the commodity;

10 “(B) the sale or transfer of an agricultural
 11 trade option involving a commodity; or

12 “(C) a purpose related to the business of
 13 a person referred to in subparagraph (A).

14 “(2) COMMODITY.—The term ‘commodity’
 15 means an agricultural commodity referred to in sec-
 16 tion 1a(3).

17 “(b) AUTHORIZATION.—Subject to subsection (c), an
 18 agricultural trade option outside a contract market shall
 19 be permitted and shall be considered to be consistent with
 20 the other provisions of this Act.

21 “(c) REGULATION.—

22 “(1) SAFEGUARDS.—Subject to paragraph (2),
 23 an agricultural trade option outside a contract mar-
 24 ket shall, to the extent determined to be applicable
 25 by the Board, be subject to—

1 “(A) sections 4b and 4o;

2 “(B) the provisions of sections 6(c) and
3 9(a)(2), to the extent that the provisions pro-
4 hibit manipulation of the market price of any
5 commodity in interstate commerce for future
6 delivery;

7 “(C) prohibitions against fraud or manipu-
8 lation under section 4e(b);

9 “(D) registration requirements of the Com-
10 mission administered by the National Futures
11 Association;

12 “(E) a requirement that the person provid-
13 ing the option has a net worth of at least
14 \$50,000;

15 “(F) requirements for full disclosure of
16 risks and responsibilities involved in the con-
17 tract or agreement for the option; and

18 “(G) recordkeeping and reporting require-
19 ments of the Commission.

20 “(2) LIMITATIONS.—

21 “(A) TOTAL ASSETS.—Except for the
22 fraud and manipulation provisions of the provi-
23 sions of law referred to in subparagraphs (A),
24 (B), and (C) of paragraph (1), paragraph (1)
25 shall not apply to an agricultural trade option

1 outside a contract market if the buyer and sell-
 2 er of the option each have assets of a value of
 3 at least \$10,000,000.

4 “(B) PHYSICAL DELIVERY; STRUCTURE
 5 AND STRATEGIES.—An agricultural trade op-
 6 tion outside a contract market shall not be sub-
 7 ject to—

8 “(i) a requirement that the option, if
 9 exercised, be physically delivered; or

10 “(ii) a limitation on the structure of
 11 the option or trading strategies for the use
 12 of the option.

13 “(c) TERMINATION OF EFFECTIVENESS.—The au-
 14 thority provided by this section terminates effective Sep-
 15 tember 30, 2002.”.

16 **SEC. 2. CONFORMING AMENDMENTS.**

17 (a) Section 4(a) of the Commodity Exchange Act (7
 18 U.S.C. 6(a)) is amended—

19 (1) in paragraph (1), by inserting “(A)” after
 20 “(1)”;

21 (2) by redesignating paragraphs (2) and (3) as
 22 subparagraphs (B) and (C), respectively;

23 (3) in subparagraph (C) (as so redesignated),
 24 by striking the period at the end and inserting “;
 25 or”; and

1 (4) by adding at the end the following:

2 “(2) the contract is an agricultural trade option
3 outside a contract market permitted under section
4 4q.”.

5 (b) Section 4c(b) of the Commodity Exchange Act (7
6 U.S.C. 6c(b)) is amended in the first sentence by striking
7 “No” and inserting “Except as provided in section 4q,
8 no”.

9 **SEC. 3. REGULATIONS.**

10 Not later than 90 days after the date of enactment
11 of this Act, the Commodity Futures Trading Commission
12 shall issue such regulations as the Commission determines
13 are necessary to carry out this Act and the amendments
14 made by this Act.

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