Public Law 102-546
102d Congress

An Act

To amend the Commodity Exchange Act to improve the regulation of futures and options traded under rules and regulations of the Commodity Futures Trading Commission; to establish registration standards for all exchange floor traders; to restrict practices which may lead to the abuse of outside customers of the marketplace; to reinforce development of exchange audit trails to better enable the detection and prevention of such practices; to establish higher standards for service on governing boards and disciplinary committees of self-regulatory organizations; to enhance the international regulation of futures trading; to regularize the process of authorizing appropriations for the Commodity Futures Trading Commission; and for other purposes.

Oct. 28, 1992
[H.R. 707]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Futures Trading Practices Act of 1992.
Securities.
7 USC 1 note.

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Futures Trading Practices Act of 1992".

(b) TABLE OF CONTENTS.—The table of contents is as follows:

TABLE OF CONTENTS

Sec. 1. Short title; table of contents.
Sec. 2. References to the Commodity Exchange Act.

TITLE I—LIMITATIONS ON CERTAIN TRADING PRACTICES

Sec. 101. Dual trading.
Sec. 102. Restrictions on trading among members of broker associations.
Sec. 103. Broker association disclosure.

TITLE II—ENHANCEMENT OF REGULATORY AND ENFORCEMENT ACTIVITIES

Sec. 201. Duties of contract markets; audit trails.
Sec. 202. Commission oversight; deficiency orders.
Sec. 203. Oral Orders.
Sec. 204. Telemarketing fraud.
Sec. 205. Undercover operations and enforcement.
Sec. 206. Self regulatory organization disciplinary committees and governing boards.
Sec. 207. Required registration of floor traders.
Sec. 208. Enhancement of registration requirements.
Sec. 209. Enforcement of civil money penalties.
Sec. 210. Ethics training for registrants.
Sec. 211. Nationwide service of process and venue.
Sec. 212. Increased penalties.
Sec. 213. Contract market emergency actions.
Sec. 214. Prohibition against insider trading.
Sec. 215. Qualifications of Commissioners.
Sec. 216. Commission operations.
Sec. 217. Prohibition on voting by interested members.
Sec. 218. Study of assessments on transactions.
Sec. 219. Competitiveness study.
Sec. 220. Computerized futures trading.
Sec. 221. Money penalties in civil court actions.
Sec. 222. Civil damages; liability of futures commission merchants.
Sec. 223. Customer restitution.
Sec. 224. Complaints against registered persons; class action suits.
Sec. 225. Penalties study and guidelines.
Sec. 226. Publication of Commission opinions.

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

Sec. 227. Suspension of registrants charged with felonies.
Sec. 228. Appeals by registered futures associations.
Sec. 229. Risk assessment for holding companies.

TITLE III—ASSISTANCE TO FOREIGN FUTURES AUTHORITIES

Sec. 301. Subpoena authority.
Sec. 302. Cooperation with foreign futures authorities.
Sec. 303. Investigative assistance to foreign futures authorities.
Sec. 304. Disclosure of information received from foreign futures authorities.
Sec. 305. Disclosure of information to foreign futures authorities.

TITLE IV—AUTHORIZATION OF APPROPRIATIONS; TECHNICAL AMENDMENTS; EFFECTIVE DATE

Sec. 401. Authorization of appropriations.
Sec. 402. Technical amendments.
Sec. 403. Effective date.
Sec. 404. Definitions.

TITLE V—INTERMARKET COORDINATION

Sec. 501. Margin on stock index futures.
Sec. 502. Exemptive authority.

SEC. 2. REFERENCES TO THE COMMODITY EXCHANGE ACT.

Except as otherwise specifically provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Commodity Exchange Act (7 U.S.C. 1 et seq.).

TITLE I—LIMITATIONS ON CERTAIN TRADING PRACTICES

SEC. 101. DUAL TRADING.

(a) PROHIBITION.—Section 4j (7 U.S.C. 6j) is amended—

(1) by redesignating paragraphs (1) and (2) as subsections (b) and (c), respectively;

(2) in subsection (b), as so redesignated, by striking "The Commission shall within nine months after the effective date of the Commodity Futures Trading Commission Act of 1974, and subsequently when it determines that changes are required," and inserting "If, in addition to the regulations issued pursuant to subsection (a), the Commission has reason to believe that dual trading-related or facilitated abuses are not being or cannot be effectively addressed by subsection (a), the Commission shall"; and

(3) by inserting a new subsection (a) to read as follows:

"(a)(1) The Commission shall issue regulations to prohibit the privilege of dual trading on each contract market which has not been exempted from such regulations under paragraph (3). The regulations issued by the Commission under this paragraph—

"(A) shall provide that the prohibition of dual trading thereunder shall take effect not less than thirty days after the issuance of the regulations;

"(B) shall provide for exceptions, as the Commission determines necessary and appropriate, to ensure fairness and orderly trading in affected contract markets, including—

"(i) transition measures and a reasonable phase-in period,

"(ii) exceptions for spread transactions and the correction of trading errors,

"(iii) allowance for a customer to designate in writing not less than once annually a named floor broker to execute

orders for such customer, notwithstanding the regulations to prohibit the privilege of dual trading required under this paragraph, and

"(iv) other measures reasonably designed to accommodate unique or special characteristics of individual boards of trade or contract markets, to address emergency or unusual market conditions, or otherwise to further the public interest;

"(C) shall establish procedures for the application for and issuance of exemptions under paragraph (3) which, among other things, shall specify the relevant data required to be submitted by the board of trade with each application;

"(D) shall specify the methodology by which it shall determine the average daily trading volume on a contract market for purposes of paragraph (4) based on a moving daily average of either six or twelve months; and

"(E) shall establish an expeditious procedure to revoke an exemption granted under paragraph (3) providing sufficient notice, opportunity for hearing, and findings to assure fundamental fairness.

"(2) As used in this section, the term 'dual trading' means the execution of customer orders by a floor broker during any trading session in which the floor broker executes any trade in the same contract market for—

"(A) the account of such floor broker;

"(B) an account for which such floor broker has trading discretion; or

"(C) an account controlled by a person with whom such floor broker is subject to trading restrictions under section 4j(d).

"(3) The Commission shall exempt a contract market from the regulations issued under paragraph (1), either unconditionally or on stated conditions (including stated periods of time) relevant to the attainment or maintenance of compliance with the standards in subparagraphs (A) and (B), upon finding that—

"(A) the trade monitoring system in place at the contract market satisfies the requirements of section 5a(b) with regard to violations attributable to dual trading at such contract market; or

"(B)(i) there is a substantial likelihood that a dual trading suspension would harm the public interest in hedging or price basing at such contract market, and

"(ii) other corrective actions, such as those described in section 8e, are sufficient and appropriate to bring the contract market into compliance with the standard in subparagraph (A).

"(4)(A) The regulations issued by the Commission under paragraph (1) shall not apply to any contract market in which the Commission determines that the average daily trading volume is less than the threshold trading level established for the contract market under this paragraph.

"(B) The threshold trading level shall be set initially at eight thousand contracts.

"(C) The Commission may, by rule or order—

"(i) increase, or

"(ii) at any time following the date three years after the date of enactment of this paragraph, decrease,

the threshold trading level for specific contract markets after taking into consideration the actual or potential effects of a dual trading ban on the public interest in hedging or price basing at the affected contract market.

"(D) The Commission shall provide the affected contract market with adequate notice of any such increase or decrease.

"(5) Before the Commission denies an application for an exemption under paragraph (3) or exempts a contract market subject to conditions, it shall—

"(A) provide the affected board of trade with notice of the reason or reasons that the application was not approved as submitted, including—

"(i) any reason the Commission has to believe that the trade monitoring system in place at the contract market does not satisfy the requirements of paragraph (3)(A) and the basis for such reason;

"(ii) any corrective action or actions, such as those described in section 8e, that the Commission believes the affected contract market must take to satisfy the requirements of paragraph (3)(A), and an acceptable timetable for such corrective action; and

"(iii) any conditions or limitations that the Commission proposes to attach to the exemption under paragraph (3);

"(B) provide the affected board of trade with an opportunity for a hearing through submission of written data, views, or arguments and, under terms set by the Commission at the request of the board of trade, through an oral presentation of views and comments to the Commission, in order to make the demonstration required under paragraph (3) or otherwise to petition the Commission with respect to its application; and

"(C) make findings, based on the information, views, and arguments placed before it in connection with the application, as to whether—

"(i) the standard in either paragraph (3)(A) or (3)(B) applies, and

"(ii) any conditions or limitations which the Commission proposes to attach under paragraph (3) are appropriate in light of the purposes of this subsection.

The Commission shall publish in the Federal Register notice of any exemptive petitions filed under paragraph (3) and any proposed or final actions the Commission may take on such petitions. Unless the Commission determines that more immediate action is appropriate in the public interest, any Commission order denying an application or exempting a contract market conditionally shall not take effect for at least twenty days following the issuance of the order. Federal Register, publication.

"(6) Violation of an order issued under this subsection shall be considered a violation of an order of the Commission for purposes of—

"(i) establishing liability and assessing penalties against a contract market or any director, officer, agent, or employee thereof under section 6b or 6c; or

"(ii) initiating proceedings under section 5b or 6(a).

"(7) Any board of trade which has applied to the Commission to exempt a contract market from the regulations issued under paragraph (1) may obtain judicial review of any final action of

the Commission to deny such application, to issue an exemption subject to conditions, or to revoke an exemption, only in the United States Court of Appeals for the circuit in which the party seeking review resides or has its principal place of business, or in the United States Court of Appeals for the District of Columbia Circuit, under the standards applicable to rulemaking proceedings under section 553 of title 5, United States Code.

"(8)(A) The Commission shall issue the regulations required under paragraph (1) not later than two hundred and seventy days after the enactment of this section. If, prior to the effective date of the prohibition on dual trading under such regulations, a board of trade submits to the Commission an application for an exemption for a contract market under paragraph (3), the Commission shall not apply the prohibition against dual trading under paragraph (1) to the contract market until the Commission has approved or denied the application.

"(B) The Commission shall approve or deny any application for an exemption under paragraph (3) within seventy-five days after receipt of the application, or as soon as practicable.".

SEC. 102. RESTRICTIONS ON TRADING AMONG MEMBERS OF BROKER ASSOCIATIONS.

(a) IN GENERAL.—Section 4j (7 U.S.C. 6j) is amended by adding at the end the following new subsection:

"(d)(1) Except as provided in paragraph (2), a floor broker may not execute an order of a customer if such floor broker knows the opposite party to the transaction to be a floor broker or floor trader with whom such trader or broker has a relationship involving trading on such contract market as—

"(A) a partner in a partnership;

"(B) an employer or employee; or

"(C) Such other affiliation as the Commission may specify by rule.

"(2) Paragraph (1) shall not apply—

"(A) if the Commission has adopted rules that the Commission certifies to Congress require procedures and standards designed to prevent violations of this Act attributable to the trading described in paragraph (1); or

"(B) to any contract market that has implemented rules designed to prevent violations of this Act attributable to the trading described in paragraph (1), except that, if the Commission determines, by rule or order, that such rules are not adequate to prevent such violations, paragraph (1) shall become effective with respect to such contract market after a reasonable period determined by the Commission.".

7 USC 6j note.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective two hundred and seventy days after the date of enactment of this Act.

SEC. 103. BROKER ASSOCIATION DISCLOSURE.

Subsection (a) of section 5a (7 U.S.C. 7a) (as amended by sections 201(a)(1) and 217 of this Act) is further amended—

(1) by striking "and" at the end of paragraph (11);

(2) by striking the period at the end of paragraph (12) and inserting a semicolon; and

(3) by adding at the end the following new paragraph:

"(13) provide for disclosure to the contract market and the Commission of any trade, business, or financial partnership,

cost-, profit-, or capital-sharing agreements or other formal arrangement among or between floor brokers and traders on such contract market where such partnership agreement or arrangement is material and known to the floor broker or floor trader;".

TITLE II—ENHANCEMENT OF REGULATORY AND ENFORCEMENT ACTIVITIES

SEC. 201. DUTIES OF CONTRACT MARKETS; AUDIT TRAILS.

(a) IN GENERAL.—Section 5a (7 U.S.C. 7a) is amended—

(1) by inserting "(a)" after the section designation; and

(2) by adding at the end the following new subsection:

"(b)(1) Each contract market shall maintain and utilize a system to monitor trading to detect and deter violations of the contract market's rules and regulations committed in the making of trades and the execution of customer orders on the floor or subject to the rules of such contract market. The system shall include—

"(A) physical observation of trading areas;

"(B) audit trail and recordkeeping systems able to capture essential data on the terms, participants, and sequence of transactions (including relevant data on unmatched trades and out-trades);

"(C) systems capable of reviewing, and used to review, data on trades effectively on a regular basis to detect violations committed in making trades and executing customer orders on the floor or subject to the rules of such contract market, including—

"(i) all types of violations attributable to dual trading; and

"(ii) to the full extent feasible, as determined by the Commission, all other types of violations involving the making of trades and the execution of customer orders;

"(D) the use of information gathered through such system on a consistent basis to bring appropriate disciplinary actions against violators;

"(E) the commitment of resources to such system necessary for such system to be effective in detecting and deterring such violations, including adequate staff to develop and prosecute disciplinary actions; and

"(F) the assessment of meaningful penalties against violators and the referral of appropriate cases to the Commission.

"(2) The audit trail system of the contract market shall, consistent with Commission regulations, accurately record— Records.

"(A) the times of trades in increments of no more than one minute in length; and

"(B) the sequence of trades for each floor trader and broker.

"(3) Beginning three years after the date of enactment of this subsection, the audit trail system of each contract market, except as provided in paragraph (5) and except to the extent the Commission determines that circumstances beyond the control of the contract market prevent compliance despite the contract market's affirmative good faith efforts to comply, shall— Records.

"(A) for all trades, record accurately and promptly the essential data on terms, participants, and times as required by the Commission by rule, including the time of execution of such trade, through a means that—

"(i) records such data in a form which cannot be altered except in a manner that will leave a complete and independent record of such alteration;

"(ii) continually provides such data to the contract market;

"(iii) identifies such time, to the extent practicable as determined by the Commission—

"(I) independently of the person making the trade;

"(II) through a mechanism that records the time automatically when entered by the person making the trade; or

"(III) through such other means that will capture a similarly reliable time; and

"(iv) is adequately precise to determine, to the extent practicable as determined by the Commission by rule or order—

"(I) the sequence of all trades by each floor trader; and

"(II) the sequence of all trades by each floor broker; and

"(B) to the extent practicable as determined by the Commission by rule or order, for customer trades, record the time that each order is received on the floor of the board of trade, is received by the floor broker for execution (or when such order is transmitted in an extremely rapid manner to the broker), and is reported from the floor of the board of trade as executed, through a means that—

"(i) records such times in a form which cannot be altered except in a manner that will leave a complete and independent record of such alteration;

"(ii) continually provides such data to the contract market;

"(iii) identifies such time—

"(I) independently of the person making the trade or processing the order;

"(II) through a mechanism that records the time automatically when entered by the person making the trade or processing such order, as appropriate; or

"(III) through such other means as will capture a similarly reliable time; and

"(iv) is adequately precise to determine—

"(I) the sequence in which, for each futures commission merchant, floor broker, or member firm, as applicable, all orders are received on and reported from the floor of the contract market; and

"(II) the sequence in which orders are received by each floor broker for execution.

"(4) The Commission may, by rule, establish standards under which the audit trail systems required under paragraph (3) shall record, to the extent practicable—

"(A) the sequence of all trades made by all floor traders and floor brokers; and

"(B) the interval between the time of receipt and the time of execution of each order by the floor broker executing the order.

"(5)(A) The Commission shall, by rule or order, make exemptions from the requirements of paragraph (3)—

"(i) for an exchange with respect to which the Commission finds that—

"(I) the volume of trading on such exchange is relatively small and the exchange has demonstrated substantial compliance with the objectives of such paragraph; and

"(II) the trade monitoring system at such exchange otherwise maintains a high level of compliance with this subsection; and

"(ii) to the extent determined appropriate by the Commission, for categories of customer orders with respect to which the Commission finds that such orders are transmitted to and reported from the trading pit in an extremely rapid manner such that substantial compliance with the objectives of paragraph (3) can be otherwise achieved.

"(B) For purposes of subparagraph (A)(i)(I) the Commission shall find that the volume of trading at an exchange is relatively small if, among other things, the Commission determines that the average daily trading volume for each contract market for which the board of trade is designated is less than the threshold trading level established for the contract market under section 4j(a)(4).

"(6) Any rule or order adopted by the Commission under paragraphs (4) and (5) shall become effective thirty legislative days or ninety calendar days, whichever is later, after submission of such rule or order to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate. For purposes of this paragraph, the term 'legislative day' means any day on which either House of Congress is in session.". Effective date.

(b) STUDY.— 7 USC 7a note.

(1) IN GENERAL.—Not later than two years after the date of enactment of this Act, the Commodity Futures Trading Commission shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that contains— Reports.

(A) an assessment of the progress of each contract market in developing and implementing systems to record the times of transactions independently, precisely, and completely as required under section 5a(b) of the Commodity Exchange Act (as added by subsection (a) of this section); and

(B) recommendations as to whether any extension of time for the completion of such systems or any modification of the standards contained in such section is appropriate.

(2) GAO VIEWS.—The Comptroller General of the United States shall state to Congress the views of the Comptroller General with regard to the issues addressed in such report.

(c) AUDIT TRAIL COMPLIANCE AS CONDITION FOR CONTRACT MARKET DESIGNATION.—Section 5 (7 U.S.C. 7) is amended by—

(1) indenting the left margin of subdivisions (a) through (g) by 2 ems;

(2) striking "(a)", "(b)", "(c)", "(d)", "(e)", "(f)", and "(g)", and inserting "(1)", "(2)", "(3)", "(4)", "(5)", "(6)", and "(7)", respectively; and

(3) adding at the end the following:

"(8) When such board of trade demonstrates that every contract market for which such board of trade is designated complies with the requirements of section 5a(b).".

SEC. 202. COMMISSION OVERSIGHT; DEFICIENCY ORDERS.

(a) IN GENERAL.—The Act is amended by inserting after section 8d (7 U.S.C. 12d) the following new section:

7 USC 12e.

"SEC. 8e. COMMISSION OVERSIGHT; DEFICIENCY ORDERS.

"(a) ASSESSMENTS.—At least once every two years, to the extent practicable, the Commission shall assess whether the trade monitoring system of each contract market satisfies section 5a(b).

"(b) DEFICIENCY ORDERS.—

"(1) CAUSES.—The Commission may issue a proposed deficiency order in accordance with paragraph (2), or take such other administrative or enforcement action as the Commission determines is appropriate, if, based on its assessment or on other information, the Commission at any time has reason to believe that a contract market's trade monitoring system implemented pursuant to section 5a(b) does not satisfy one or more of the requirements of such section.

"(2) CONTENTS.—A proposed deficiency order issued under this subsection shall specify—

"(A) the deficiencies the Commission has reason to believe exist in the trade monitoring system of the contract market and a statement of reasons supporting the Commission's belief that those deficiencies exist;

"(B) the corrective action that the Commission believes that the contract market must take and an acceptable timetable for such corrective action; and

"(C) a date, not less than twenty days from the date of issuance of the proposed deficiency order, when such deficiency order will become final, subject to subsection (d).

"(3) REMEDIES.—On becoming final, the Commission deficiency order may—

"(A) require the contract market to—

"(i) institute appropriate improvements in its trade monitoring system necessary to correct the deficiencies noted therein;

"(ii) satisfy stated objective performance criteria to correct such deficiencies;

"(iii) upgrade or reconfigure existing systems for collecting or processing relevant data on trading and trader or broker activity, including, where appropriate, the commitment of additional resources; or

"(B) revoke any exemption of the contract market from the regulations prohibiting the privilege of dual trading under section 4j(a), if the deficiency noted in such deficiency order relates to—

"(i) the audit trail system the contract market is required to maintain under paragraph (2), (3), or (4) of section 5a(b); or

"(ii) the prevention, detection, or disciplining of violations attributable to such trading at such contract market, subject to the standards, exceptions, and duration provisions of section 4j(a); or

"(C) take any combination of the actions described in subparagraphs (A) and (B).

"(4) REMOVAL.—If the Commission finds, after notice and opportunity for a hearing on the record prior to such deficiency order becoming final, that a named officer, director, committee member, or employee of such contract market has willfully—

"(A) violated this Act, the rules or regulations of the Commission thereunder, or the rules of such contract market;

"(B) abused the authority of such person; or

"(C) without reasonable justification or excuse, failed to enforce compliance with any provision of the rules of such contract market by any member or person associated with a member thereof,

the Commission may issue a deficiency order under this section to remove such officer, director, committee member, or employee.

"(5) DESIGNATION AS CONTRACT MARKET.—Notwithstanding section 6, during the period that a proposed or final deficiency order under this section is in effect, the Commission may refrain from approving any application for designation as a contract market made by the board of trade whose contract market is the subject of such deficiency order.

"(6) DELEGATION.—The Commission shall not delegate the authority to issue deficiency orders under this subsection.

"(c) RESCISSION, MODIFICATION, OR DELAY OF DEFICIENCY ORDERS.—Before any proposed deficiency order issued by the Commission under subsection (b) may become final, the Commission shall—

"(1) provide the affected contract market with an opportunity for a hearing through submission of written data, views, or arguments and, under terms set by the Commission at the request of the contract market, through an oral presentation of views and comments to the Commission, in order to petition the Commission to rescind, modify, or delay such deficiency order; and

"(2) rule on such petition, not less than twenty days before the deficiency order takes effect, making findings, as appropriate, as to whether—

"(A) the deficiencies cited by the Commission have been corrected or are being corrected under an expeditious timetable acceptable to the Commission;

"(B) the trade monitoring system of the contract market is deficient as noted in the deficiency order; or

"(C) the timetable for corrective action by the contract market in the proposed deficiency order, and the particular corrective action proposed, is appropriate in light of the deficiencies noted and the purposes of this Act.

"(d) PENALTIES.—Violation of a final deficiency order issued under subsection (c) shall be considered a violation of an order of the Commission for purposes of—

"(1) establishing liability and assessing penalties against a contract market or any director, officer, agent, or employee thereof under section 6b or 6c; or

"(2) initiating proceedings under section 5b or 6(a).

"(e) JUDICIAL REVIEW.—

"(1) PERSONS.—Any person, other than a contract market, aggrieved by a deficiency order issued under subsection (b)(4), may obtain review of such deficiency order when issued by the Commission under the terms and conditions in section 6(b).

"(2) CONTRACT MARKETS.—Any contract market that has petitioned the Commission to rescind, modify, or delay any proposed deficiency order issued under subsection (b) may obtain judicial review of any final such deficiency order only in the United States Court of Appeals for the circuit in which the party seeking review resides or has its principal place of business, or in the United States Court of Appeals for the District of Columbia Circuit, under the standards applicable to rulemaking proceedings under section 553 of title 5, United States Code.".

SEC. 203. ORAL ORDERS.

(a) IN GENERAL.—Section 4c (7 U.S.C. 6c) is amended by adding at the end the following new subsection:

"(g) The Commission shall adopt rules requiring that a contemporaneous written record be made, as practicable, of all orders for execution on the floor or subject to the rules of each contract market placed by a member of the contract market who is present on the floor at the time such order is placed.".

7 USC 6c note.

(b) EFFECTIVE DATE.—The Commission shall adopt the rules required by the amendment made under subsection (a) within two hundred and seventy days after the date of enactment of this Act.

SEC. 204. TELEMARKETING FRAUD.

(a) IN GENERAL.—Section 17(p) (7 U.S.C. 21(p)) is amended—

(1) by striking "and" at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting "; and"; and

(3) by adding at the end the following new paragraph:

"(4) establish special supervisory guidelines to protect the public interest relating to the solicitation by telephone of new futures or options accounts and make such guidelines applicable to those members determined to require such guidelines in accordance with standards established by the Commission consistent with this Act. Such guidelines may include a requirement that, with respect to a customer with no previous futures or commodity options trading experience, the member may not enter an order for the account of such customer for a period of three days following opening of the account and receipt of a signed acknowledgment by the customer of receipt of a risk disclosure statement.".

7 USC 21 note.

(b) IMPLEMENTATION.—The guidelines required under section 17(p)(4) of the Commodity Exchange Act (as added by subsection (a) of this section) shall be submitted by a futures association registered with the Commodity Futures Trading Commission on the date of enactment of this Act to the Commission for the approval of the Commission not later than one hundred and eighty days after the date of enactment of this Act.

SEC. 205. UNDERCOVER OPERATIONS AND ENFORCEMENT.

Section 8(a) of the Commodity Exchange Act (7 U.S.C. 12(a)) is amended by—

(1) inserting "(1)" after "(a)"; and

(2) adding at the end the following:

"(2) In conducting investigations authorized under this subsection or any other provision of this Act, the Commission shall continue, as the Commission determines necessary, to request the assistance of and cooperate with the appropriate Federal agencies in the conduct of such investigations, including undercover operations by such agencies. The Commission and the Department of Justice shall assess the effectiveness of such undercover operations and, within two years of the date of enactment of the Futures Trading Practices Act of 1992, shall recommend to Congress any additional undercover or other authority for the Commission that the Commission or the Department of Justice believes to be necessary.".

SEC. 206. SELF REGULATORY ORGANIZATION DISCIPLINARY COMMITTEES AND GOVERNING BOARDS.

(a) CONTRACT MARKETS.—

(1) GOVERNING BOARDS AND DISCIPLINARY COMMITTEES.—Subsection (a) of section 5a (7 U.S.C. 7a) (as amended by sections 201(a)(1) and 217 of this Act) is further amended by adding at the end the following new paragraphs:

"(14)(A) provide for meaningful representation on the governing board of the contract market's board of trade of a diversity of interests, including—

"(i) futures commission merchants;

"(ii) producers of, and consumers, processors, distributors, or merchandisers of, principal commodities traded on the board of trade;

"(iii) floor brokers and traders; and

"(iv) participants in a variety of pits or principal groups of commodities traded on the exchange.

"(B) provide that no less than 20 percent of the regular voting members of such board be comprised of nonmembers of such contract market's board of trade with—

"(i) expertise in futures trading, or the regulation thereof, or in commodities traded through contracts on the board of trade; or

"(ii) other eminent qualifications making such person capable of participating in and contributing to board deliberations.

"(C) provide that no less than 10 percent of the regular voting members of such board be comprised where applicable of farmers, producers, merchants, or exporters of principal commodities traded on the exchange;

"(15)(A) provide on all major disciplinary committees for a diversity of membership sufficient to ensure fairness and to prevent special treatment or preference for any person in the conduct of disciplinary proceedings and the assessment of penalties.

"(B) Consistent with Commission rules, a major disciplinary committee hearing a disciplinary matter shall include—

"(i) a majority of qualified persons representing a trading status other than that of the subject of the proceeding; and

"(ii) where appropriate to carry out the purposes of this Act, qualified persons who are not members of the exchange.

"(C) For purposes of this paragraph, a trading status on a contract market may include, consistent with Commission rules, such categories as

(i) floor brokers and traders;

(ii) producers, consumers, processors, distributors, or merchandisers of commodities;

(iii) futures commission merchants; and

(iv) members of the aforementioned categories who participate in particular contract markets or principal groups of commodities on the board of trade.

"(D) If a contract market takes final disciplinary action against a member for a violation that involves the execution of a customer transaction and results in financial harm to such customer, the contract market shall promptly inform the futures commission merchant identified on the records of such contract market as having cleared such transaction, and such futures commission merchant shall promptly inform the person identified on its records as the owner of the account for which such transaction was executed, of the disciplinary action and the principal facts thereof;

"(16) provide that no member found by the Commission, a contract market, a registered futures association, or a court of competent jurisdiction to have committed any violation of this Act or any other provision of law that would reflect on the fitness of the member may serve on any contract market oversight or disciplinary panel for an appropriate period (as defined by Commission rule); and".

(2) MAJOR DISCIPLINARY RULE VIOLATIONS.—Section 8c (7 U.S.C. 12c) is amended—

(A) by redesignating subsections (1) through (4) as subsections (a) through (d);

(B) in subsection (a), as so redesignated—

(i) by striking "(A)" and inserting "(1)"; and

(ii) by striking "(B)" and inserting "(2)";

(C) in subsection (c), as so redesignated, by striking "subsection (2)" each place it appears and inserting "subsection (b)";

(D) in subsection (d), as so redesignated, by striking "subsection (1)" and inserting "subsection (a)"; and

(E) by adding at the end the following:

"(e)(1) The Commission shall issue regulations requiring each contract market to establish and make available to the public a schedule of major violations of any rule within the disciplinary jurisdiction of such contract market.

"(2) The regulations issued by the Commission pursuant to this subsection shall prohibit, for a period of time to be determined by the Commission, any individual who is found to have committed any major violation from service on the governing board of any contract market or registered futures association, or on any disciplinary committee thereof.".

(b) REGISTERED FUTURES ASSOCIATIONS.—

(1) GOVERNING BOARDS AND DISCIPLINARY COMMITTEES.—Section 17(b) (7 U.S.C. 21(b)) is amended—

(A) in subparagraphs (A) and (B) of paragraph (3) by striking "or" at the end;

(B) in paragraphs (3)(D), (4)(A), (4)(B), (4)(C), (4)(D), (4)(F), (5), (6), (7), (8), (9), (9)(A), (9)(B), and (9)(D) by striking the period at the end and inserting a semicolon;

(C) in paragraphs (4)(E), (9)(C), and (10) by striking the period at the end and inserting "; and"; and

(D) by adding at the end the following new paragraphs:

"(11) such association provides for meaningful representation on the governing board of such association of a diversity of membership interests and provides that no less than 20 percent of the regular voting members of such board be comprised of qualified nonmembers of or persons who are not regulated by such association.

"(12)(A) such association provides on all major disciplinary committees for a diversity of membership sufficient to ensure fairness and to prevent special treatment or preference for any person in the conduct of disciplinary proceedings and the assessment of penalties.

"(13) A major disciplinary committee hearing a disciplinary matter shall include—

"(A) qualified persons representing segments of the association membership other than that of the subject of the proceeding; and

"(B) where appropriate to carry out the purposes of this paragraph, qualified persons who are not members of the association.".

(2) MAJOR DISCIPLINARY RULE VIOLATIONS.—Section 17 (7 U.S.C. 21), as amended by section 204, is amended by inserting after subsection (p) the following:

"(q)(1) The Commission shall issue regulations requiring each registered futures association to establish and make available to the public a schedule of major violations of any rule within the disciplinary jurisdiction of such registered futures association.

"(2) The regulations issued by the Commission pursuant to this subsection shall prohibit, for a period of time to be determined by the Commission, any member of a registered futures association who is found to have committed any major violation from service on the governing board of any registered futures association or contract market, or on any disciplinary committee thereof.".

(c) IMPLEMENTATION.—Not later than two hundred and seventy days after the date of enactment of this Act, the Commodity Futures Trading Commission shall adopt such rules as are necessary to carry out the amendments made by subsections (a) and (b), including rules that— 7 USC 7a note.

(1) specify membership categories that shall be represented on disciplinary panels;

(2) define "major disciplinary committee" for purposes of sections 5a(a)(15) and 17(b)(12) of the Commodity Exchange Act (as added by subsections (a) and (b), respectively); and

(3) specify the conditions under which such panels shall include qualified persons who are not members of the exchange or association, which shall include at a minimum—

(A) any disciplinary action where the subject of such action is a member of the contract market or association governing board or of any major disciplinary committee of such contract market or association; and

(B) any disciplinary action based on facts related to a claim that the subject of such action manipulated or attempted to manipulate the price of a commodity or future or option.

SEC. 207. REQUIRED REGISTRATION OF FLOOR TRADERS.

(a) REQUIREMENT.—Section 4e (7 U.S.C. 6e) is amended to read as follows:

"SEC. 4e. It shall be unlawful for any person to act as floor trader in executing purchases and sales, or as floor broker in executing any orders for the purchase or sale, of any commodity for future delivery, or involving any contracts of sale of any commodity for future delivery, on or subject to the rules of any contract market unless such person shall have registered, under this Act, with the Commission as such floor trader or floor broker and such registration shall not have expired nor been suspended nor revoked.".

(b) CONFORMING AMENDMENTS.—The Act is amended—

(1) in sections 4f(1), 4g(1), and 6d(1) (7 U.S.C. 6f(1), 6g(1), 13a–2(1)), by striking "or floor broker" and inserting "floor broker, or floor trader";

(2) in section 6d(8)(A) (7 U.S.C. 13a–2(8)(A)), by inserting ", floor trader," after "floor broker";

(3) in section 8a(1), (7 U.S.C. 12a(1)), by striking "and floor brokers" and inserting "floor brokers, and floor traders"; and

(4) in sections 8a(2)(C)(i), 8a(2)(D)(ii), and 8a(3)(E)(ii) (7 U.S.C. 12a(2)(C)(i), 12a(2)(D)(ii), and 12a(3)(E)(ii)), by inserting "floor trader," after "floor broker,".

Effective date.
7 USC 6e note.

(c) REGULATIONS.—The amendments made by this section shall become effective one hundred and eighty days after the date of enactment of this Act, and the Commodity Futures Trading Commission shall issue any regulations necessary to implement the amendments made by this section no later than one hundred and eighty days after the date of enactment of this Act.

SEC. 208. ENHANCEMENT OF REGISTRATION REQUIREMENTS.

(a) INJUNCTIONS.—Section 8a(2)(C)(ii) (7 U.S.C. 12a(2)(C)(ii)) is amended to read as follows:

"(ii) engaging in or continuing any activity where such activity involves embezzlement, theft, extortion, fraud, fraudulent conversion, misappropriation of funds, securities or property, forgery, counterfeiting, false pretenses, bribery, gambling, or any transaction in or advice concerning contracts of sale of a commodity for future delivery, concerning matters subject to Commission regulation under section 4c or 19, or concerning securities".

(b) CERTAIN VIOLATIONS OF LAW.—Section 8a(2)(D)(iv) (7 U.S.C. 12a(2)(D)(iv)) is amended by—

(1) inserting "1001," after "152,";

(2) striking "or" after "1342,";

(3) inserting "1503, 1623, 1961, 1962, 1963, or 2314," after "1343,"; and

(4) inserting ", or section 7201 or 7206 of the Internal Revenue Code of 1986" after "Code".

(c) OTHER VIOLATIONS OF LAW.—Section 8a(2)(E) (7 U.S.C. 12a(2)(E)) is amended—

(1) by striking "by any court of competent jurisdiction," and inserting "in a proceeding brought"; and

(2) in clause (i) by inserting "chapter 96 of title 18 of the United States Code," after "1977,".

(d) REGISTRATION REVOCATION BASED ON INACCURATE STATEMENTS.—Section 8a(2)(G) (7 U.S.C. 12a(2)(G)) is amended by—

(1) striking "subparagraphs (A) through (F) of this paragraph," and inserting "this paragraph and paragraph (3),";

(2) striking "material" the first place it appears and inserting "materially"; and

(3) striking "application" and inserting "application or any update thereto".

(e) GENERAL FELONY CONVICTIONS.—Section 8a(3)(D) (7 U.S.C. 12a(3)(D)) is amended by—

(1) inserting "pleaded guilty to or" after "person";

(2) inserting a comma after "section" the first place it appears;

(3) striking "within ten years preceding the filing of the application or at any time thereafter,";

(4) striking ", including a felony"; and

(5) striking ", more than" and inserting "more than".

(f) SPECIAL FELONY CONVICTIONS.—Section 8a(3)(E) (7 U.S.C. 12a(3)(E)) is amended—

(1) by inserting "pleaded guilty to or" after "person";

(2) by striking "within ten years preceding the filing of the application for registration or at any time thereafter"; and

(3) in clause (iv) by inserting ", or section 7203, 7204, 7205, or 7207 of the Internal Revenue Code of 1986" after "Code".

(g) REGISTRATION DENIED OR CONDITIONED BASED ON INACCURATE STATEMENTS.—Section 8a(3)(G) (7 U.S.C. 12a(3)(G)) is amended by—

(1) striking "material" the first place it appears and inserting "materially";

(2) striking the comma after "application";

(3) inserting "or any update thereto," after "application";

(4) striking "thereunder, or" and inserting "thereunder,"; and

(5) inserting "or in any registration disqualification proceeding" after "Commission".

(h) NON-FEDERAL CRIMINAL CONDUCT.—Section 8a(3)(H) (7 U.S.C. 12a(3)(H)) is amended by inserting ", in a United States military court," after "State court".

(i) EXISTING RESTRICTIONS ON MEMBERSHIPS.—Section 8a(3)(J) (7 U.S.C. 12a(3)(J)) is amended by—

(1) striking "or" after "association," the first place it appears;

(2) inserting "or any foreign regulatory body that the Commission recognizes as having a comparable regulatory program" after "organization," the first place it appears;

(3) striking "or" after "association," the second place it appears; and

(4) striking "organization;" and inserting "organization, or foreign regulatory body;".

SEC. 209. ENFORCEMENT OF CIVIL MONEY PENALTIES.

(a) MONEY PENALTIES.—Section 6 (7 U.S.C. 8 et seq.) is amended—

7 USC 8, 9, 9a, 13b, 15.

(1) by redesignating subsections (a) through (d) as subsections (b) through (e), respectively;

(2) by inserting "(a)" after "Sec. 6";

7 USC 8.

(3) in subsection (a), as so redesignated, by striking "paragraph (a)" and inserting "subsection (b)";

7 USC 13b.

(4) in subsection (d), as so redesignated—

(A) by striking "paragraph (b) of this section" and inserting "subsection (c)"; and

(B) by striking "section 6(b) of this Act" and inserting "subsection (c)"; and

7 USC 9a.

(5) by amending subsection (e), as so redesignated, to read as follows:

"(e)(1) In determining the amount of the money penalty assessed under subsection (c), the Commission shall consider the appropriateness of such penalty to the gravity of the violation.

"(2) Unless the person against whom a money penalty is assessed under subsection (c) shows to the satisfaction of the Commission within fifteen days from the expiration of the period allowed for payment of such penalty that either an appeal as authorized by subsection (c) has been taken or payment of the full amount of the penalty then due has been made, at the end of such fifteen-day period and until such person shows to the satisfaction of the Commission that payment of such amount with interest thereon to date of payment has been made—

"(A) such person shall be prohibited automatically from trading on all contract markets; and

"(B) if such person is registered with the Commission, such registration shall be suspended automatically.

"(3) If a person against whom a money penalty is assessed under subsection (c) takes an appeal and if the Commission prevails or the appeal is dismissed, unless such person shows to the satisfaction of the Commission that payment of the full amount of the penalty then due has been made by the end of thirty days from the date of entry of judgment on the appeal—

"(A) such person shall be prohibited automatically from trading on all contract markets; and

"(B) if such person is registered with the Commission, such registration shall be suspended automatically.

If the person against whom the money penalty is assessed fails to pay such penalty after the lapse of the period allowed for appeal or after the affirmance of such penalty, the Commission may refer the matter to the Attorney General who shall recover such penalty by action in the appropriate United States district court.".

(b) CONFORMING AMENDMENTS.—The Commodity Exchange Act (7 U.S.C. 1 et seq.) is amended—

7 USC 2a.

(1) in section 2(a)(1)(B)(iv)—

(A) in subclause (I) by striking "section 6(b)" and inserting "section 6(c)"; and

(B) in subclause (II) by striking "section 6(a)" and inserting "section 6(b)";

7 USC 7.

(2) in section 5(6), as so redesignated by section 201(c)(2), by striking "paragraph (b) of section 6" and inserting "section 6(c)";

(3) in section 5b by striking "paragraph (a) of section 6" and inserting "section 6(b)"; 7 USC 7b.

(4) in section 6a(1) by striking "paragraph (a) of section 6" and inserting "section 6(b)"; 7 USC 10a.

(5) in section 6b by striking "paragraph (a) of section 6" and inserting "section 6(b)"; 7 USC 13a.

(6) in section 8a— 7 USC 12a.

(A) in the first proviso to paragraph (2) by striking "section 6(b)" and inserting "section 6(c)";

(B) in the second proviso to paragraph (3) by striking "section 6(b)" and inserting "section 6(c)"; and

(C) in paragraph (4) by striking "section 6(b)" each place it appears and inserting "section 6(c)";

(7) in section 14(e) by striking "paragraph (b) of section 6" and inserting "section 6(c)"; and 7 USC 18.

(8) in section 17— 7 USC 21.

(A) in subsection (b)—

(i) in paragraph (3)(B) by striking "section 6(b)" and inserting "section 6(c)"; and

(ii) in paragraph (4)(F) by striking "subsection (b) of section 6" and inserting "section 6(c)";

(B) in subsection (i)(4) by striking "section 6(b)" and inserting "section 6(c)"; and

(C) in subsection (o)(4) by striking "section 6(b)" and inserting "section 6(c)".

SEC. 210. ETHICS TRAINING FOR REGISTRANTS.

(a) MANDATORY TRAINING FOR REGISTRANTS.—Section 4p (7 U.S.C. 6p) is amended by—

(1) inserting "(a)" after "SEC. 4p."; and

(2) adding at the end the following:

"(b) The Commission shall issue regulations to require new registrants, within six months after receiving such registration, to attend a training session, and all other registrants to attend periodic training sessions, to ensure that registrants understand their responsibilities to the public under this Act, including responsibilities to observe just and equitable principles of trade, any rule or regulation of the Commission, any rule of any appropriate contract market, registered futures association, or other self-regulatory organization, or any other applicable Federal or state law, rule or regulation.".

(b) REGULATIONS.—The Commodity Futures Trading Commission shall issue the regulations required by section 4p(b) of the Commodity Exchange Act, as added by subsection (a), no later than one hundred and eighty days after the date of enactment of this Act. 7 USC 6p note.

SEC. 211. NATIONWIDE SERVICE OF PROCESS AND VENUE.

Section 22(c) (7 U.S.C. 25(c)) is amended to read as follows:

"(c) The United States district courts shall have exclusive jurisdiction of actions brought under this section. Any such action shall be brought not later than two years after the date the cause of action arises. Any action brought under subsection (a) of this section may be brought in any judicial district wherein the defendant is found, resides, or transacts business, or in the judicial district wherein any act or transaction constituting the violation occurs. Process in such action may be served in any judicial district of Courts.

which the defendant is an inhabitant or wherever the defendant may be found.".

SEC. 212. INCREASED PENALTIES.

(a) FELONY VIOLATIONS.—Section 9 (7 U.S.C. 13) is amended—

(1) by—

(A) striking subsections (a), (b), and (c);

(B) redesignating subsections (d) and (e) as subsections (c) and (d), respectively; and

(C) inserting before subsection (c), as redesignated, the following new subsections:

"(a) It shall be a felony punishable by a fine of not more than $1,000,000 (or $500,000 in the case of a person who is an individual) or imprisonment for not more than five years, or both, together with the costs of prosecution, for:

"(1) Any person registered or required to be registered under this Act, or any employee or agent thereof, to embezzle, steal, purloin, or with criminal intent convert to such person's use or to the use of another, any money, securities, or property having a value in excess of $100, which was received by such person or any employee or agent thereof to margin, guarantee, or secure the trades or contracts of any customer or accruing to such customer as a result of such trades or contracts or which otherwise was received from any customer, client, or pool participant in connection with the business of such person. The word 'value' as used in this paragraph means face, par, or market value, or cost price, either wholesale or retail, whichever is greater.

"(2) Any person to manipulate or attempt to manipulate the price of any commodity in interstate commerce, or for future delivery on or subject to the rules of any contract market, or to corner or attempt to corner any such commodity or knowingly to deliver or cause to be delivered for transmission through the mails or interstate commerce by telegraph, telephone, wireless, or other means of communication false or misleading or knowingly inaccurate reports concerning crop or market information or conditions that affect or tend to affect the price of any commodity in interstate commerce, or knowingly to violate the provisions of section 4, section 4b, subsections (a) through (e) of subsection 4c, section 4h, section 4o(1), or section 19.

"(3) Any person knowingly to make, or cause to be made, any statement in any application, report, or document required to be filed under this Act or any rule or regulation thereunder or any undertaking contained in a registration statement required under this Act, or by any contract market or registered futures association in connection with an application for membership or participation therein or to become associated with a member thereof, which statement was false or misleading with respect to any material fact, or knowingly to omit any material fact required to be stated therein or necessary to make the statements therein not misleading.

"(4) Any person willfully to falsify, conceal, or cover up by any trick, scheme, or artifice a material fact, make any false, fictitious, or fraudulent statements or representations, or make or use any false writing or document knowing the same to contain any false, fictitious, or fraudulent statement

or entry to a contract market, board of trade, or futures association designated or registered under this Act acting in furtherance of its official duties under this Act.

"(5) Any person willfully to violate any other provision of this Act, or any rule or regulation thereunder, the violation of which is made unlawful or the observance of which is required under the terms of this Act, but no person shall be subject to imprisonment under this paragraph for the violation of any rule or regulation if such person proves that he had no knowledge of such rule or regulation.

"(b) Any person convicted of a felony under this section shall be suspended from registration under this Act and shall be denied registration or reregistration for five years or such longer period as the Commission may determine, and barred from using, or participating in any manner in, any market regulated by the Commission for five years or such longer period as the Commission shall determine, on such terms and conditions as the Commission may prescribe, unless the Commission determines that the imposition of such suspension, denial of registration or reregistration, or market bar is not required to protect the public interest. The Commission may upon petition later review such disqualification and market bar and for good cause shown reduce the period thereof.";

(2) in subsection (c) (as redesignated by paragraph (1) of this section) by striking "$100,000" and inserting "$500,000"; and

(3) in subsection (d) (as redesignated by paragraph (1) of this section) by striking "$100,000" and inserting "$500,000".

(b) OTHER VIOLATIONS.—Section 6(c) and 6(d) (7 U.S.C. 9 and 13b), as such subsections are redesignated by section 209, are each amended by striking "$100,000" each place it appears and inserting "the higher of $100,000 or triple the monetary gain to such person".

(c) NONENFORCEMENT OF RULES OF GOVERNMENT OR OTHER VIOLATIONS.—Section 6b (7 U.S.C. 13a) is amended—

(1) by striking "$100,000" each place it appears and inserting "$500,000"; and

(2) in the last sentence, by striking "the appropriateness of such penalty to the net worth of the offending person and".

SEC. 213. CONTRACT MARKET EMERGENCY ACTIONS.

(a) PRIOR COMMISSION NOTIFICATION REQUIRED.—Section 5a(a)(12) (7 U.S.C. 7a(12)), as redesignated by section 201, is amended—

(1) by striking "(12) except" and inserting "(12)(A) except"; and

(2) by striking the last two sentences of paragraph (12)(A) as so redesignated, and inserting the following:

"(B)(i) The Commission shall issue regulations to specify the terms and conditions under which, in an emergency as defined by the Commission, a contract market may, by a two-thirds vote of its governing board, make a rule (hereinafter referred to as an 'emergency rule') effective on a temporary basis without prior Commission approval, or without compliance with the ten-day notice requirement under subparagraph (A), or during any period of review by the Commission, if the contract market makes every effort practicable to notify

the Commission of such emergency rule, along with a complete explanation of the emergency involved, prior to making the emergency rule effective. If the contract market does not provide the Commission with such notification and explanation before making the emergency rule effective, the contract market shall provide the Commission with such notification and explanation at the earliest possible date. The Commission may delegate the power to receive such notification and explanation to such individuals as the Commission determines necessary and appropriate.

"(ii) Within ten days of the receipt from a contract market of notification of such an emergency rule and an explanation of the emergency involved, or as soon as practicable, the Commission shall determine whether it is appropriate either—

"(I) to permit such rule to remain in effect during the pendency of the emergency, or

"(II) to suspend the effect of such rule pending review either under the procedures of subparagraph (A) or otherwise.

Reports.

The Commission shall submit a report on its determination and the basis thereof with respect to such emergency rule to the affected contract market, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate. If the report is submitted more than ten days after the Commission's receipt of notification of such an emergency rule from a contract market, the report shall explain why submission within such ten-day period was not practicable. A determination by the Commission to suspend the effect of a rule under this subparagraph shall be subject to judicial review on the same basis as an emergency determination under section 8a(9). Nothing in this paragraph shall be construed to limit the authority of the Commission under section 8a(9);".

7 USC 7a note.

(b) REGULATIONS.—The Commodity Futures Trading Commission shall issue regulations to implement section 5a(12)(B) of the Commodity Exchange Act, as added by subsection (a), no later than one hundred and eighty days after the date of enactment of this Act. Until the effective date of such regulations, any regulation of the Commission that implements the last two sentences of section 5a(12), as such sentences were in effect immediately before the date of enactment of this Act, shall remain in effect.

SEC. 214. PROHIBITION AGAINST INSIDER TRADING.

(a) IN GENERAL.—Section 9 (7 U.S.C. 13) is amended by adding at the end the following:

"(f) It shall be a felony for any person—

"(1) who is an employee, member of the governing board, or member of any committee of a board of trade, contract market, or registered futures association, in violation of a regulation issued by the Commission, willfully and knowingly to trade for such person's own account, or for or on behalf of any other account, in contracts for future delivery or options thereon on the basis of, or willfully and knowingly to disclose for any purpose inconsistent with the performance of such person's official duties as an employee or member, any material nonpublic information obtained through special access related to the performance of such duties.

(2) willfully and knowingly to trade for such person's own account, or for or on behalf of any other account, in contracts for future delivery or options thereon on the basis of any material nonpublic information that such person knows was obtained in violation of paragraph (1) from an employee, member of the governing board, or member of any committee of a board of trade, contract market, or registered futures association.

Such felony shall be punishable by a fine of not more than $500,000, plus the amount of any profits realized from such trading or disclosure made in violation of this subsection, or imprisonment for not more than five years, or both, together with the costs of prosecution.".

(b) REGULATIONS.—The Commodity Futures Trading Commission shall issue regulations to implement the amendment made by subsection (a) not later than three hundred and sixty days after the date of enactment of this Act. 7 USC 13 note.

SEC. 215. QUALIFICATIONS OF COMMISSIONERS.

Section 2(a)(2)(A) (7 U.S.C. 4a(a)(1)) is amended by striking the second and third sentences and inserting the following: "The Commission shall be composed of five Commissioners who shall be appointed by the President, by and with the advice and consent of the Senate. In nominating persons for appointment, the President shall— President.

"(i) select persons who shall each have demonstrated knowledge in futures trading or its regulation, or the production, merchandising, processing or distribution of one or more of the commodities or other goods and articles, services, rights, and interests covered by this Act; and

"(ii) seek to ensure that the demonstrated knowledge of the Commissioners is balanced with respect to such areas.".

SEC. 216. COMMISSION OPERATIONS.

Section 12(b) (7 U.S.C. 16(b)) is amended—

(1) by designating the first through third sentences as paragraphs (1) through (3), respectively; and

(2) by adding at the end the following new paragraph:

"(4) The Commission may request (in accordance with the procedures set forth in subchapter II of chapter 31 of title 5, United States Code) and the Office of Personnel Management shall authorize pursuant to the request, eight positions in the Senior Executive Service in addition to the number of such positions authorized for the Commission on the date of enactment of this sentence.".

SEC. 217. PROHIBITION ON VOTING BY INTERESTED MEMBERS.

Subsection (a) of section 5a (7 U.S.C. 7a) (as amended by sections 201(a) and 206(a)(1) of this Act) is further amended by adding at the end the following:

"(17)(A) provide for the avoidance of conflict of interest in deliberations by the governing board and any disciplinary and oversight committees. In order to comply with this subparagraph, each contract market shall adopt rules and procedures to require, at a minimum, that

"(i) any member of a governing board or a disciplinary or other oversight committee must abstain from confidential deliberations and voting on any matter where the

named party in interest is the member, the member's employer, the member's employee, or any other person that has a business, employment, or family relationship with the member that warrants abstention by the member;

"(ii) any member of a governing board or a disciplinary or other oversight committee must abstain from voting on any significant action that would not be submitted to the Commission for its prior approval, if, as determined in accordance with regulations promulgated by the Commission, the member knowingly has a direct and substantial financial interest in the result of the vote, based either on positions held personally or at an affiliated firm;

"(iii) prior to the deliberations of the governing board, disciplinary board, or other oversight committee, acting directly or indirectly through an authorized member or contract market official, the positions of the members of such board or committee, and positions of the firm or firms with which such members are affiliated, are reviewed: *Provided, however,* That no contract market or official, employee, member, other than the member whose position or positions are being reviewed, or agent thereof shall be subject to liability, except for liability in an action initiated by the Commission, for having conducted this review and for having taken or not taken further action; and

"(iv) the board or committee shall clearly reflect, in the minutes of such meeting, that the review required in clause (iii) occurred and any decisions by a member to abstain or by the board or committee whether to direct a member or members to abstain from deliberations or voting on the matter before the board or committee.

Any member prohibited from voting on a rule pursuant to this paragraph shall not be included in determining whether there has been a two-thirds vote of members of the governing board or committee as required by subparagraph (12).

"(B) For the purposes of this paragraph, the term 'significant action that would not be submitted to the Commission for its prior approval' includes—

"(i) any nonphysical emergency rule; or

"(ii) any changes in margin levels designed to respond to extraordinary market conditions that are likely to have a substantial affect on prices in any contract traded on such contract market, but does not include any rule not submitted for prior Commission approval because such rule is unrelated to terms and conditions of any contract traded on such contract market.

"(C) Notwithstanding the provisions of subparagraph (A)(ii), the Commission shall issue rules establishing the conditions under which a member of a board or committee who is required to abstain from voting on a significant action, as provided in subparagraph (A)(ii), may participate in deliberations on that action prior to such vote, where the member's participation is consistent with the public interest.".

7 USC 16a note.

SEC. 218. STUDY OF ASSESSMENTS ON TRANSACTIONS.

(a) STUDY.—The Comptroller General of the United States shall conduct a study to determine whether—

(1) it is feasible to fund some or all of the enforcement and market surveillance activities of the Commodity Futures Trading Commission, as required by the amendments to the Commodity Exchange Act made by the Futures Trading Practices Act of 1992, through the imposition of an assessment on commodity futures and options transactions executed pursuant to the Commodity Exchange Act; and

(2) a program of assessment-based funding for some or all of such enforcement and market surveillance activities would better provide resources to the Commodity Futures Trading Commission to enable the Commission to—

(A) protect the interests of market users (including hedgers and speculators), producers of commodities traded on the futures markets, and the general public; and

(B) maintain and enhance the credibility of such futures and options markets.

(b) REPORT.—Not later than one year after the date of enactment of this Act, the Comptroller General shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report containing the Comptroller General's determinations pursuant to subsection (a), together with any appropriate recommendations for the implementation of such a program of assessment-based funding for some or all of the Commodity Futures Trading Commission's enforcement and market surveillance activities.

SEC. 219. COMPETITIVENESS STUDY.

7 USC 4a note. Reports.

(a) IN GENERAL.—No later than eighteen months following the enactment of this Act, the Commodity Futures Trading Commission shall study the competitiveness of boards of trade over which it has jurisdiction compared with the boards of trade (or their foreign equivalent) over which foreign futures authorities, as defined in section 2(a)(1)(A) of the Commodity Exchange Act (7 U.S.C. 2(a)(1)(A)), have jurisdiction, and submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report of its findings with respect to—

(1) the overall competitive status of United States boards of trade in the world market;

(2) a comparison of applicable statutes, rules, or regulations as they relate to futures and options administered and enforced by the Commission and those administered and enforced by foreign futures authorities;

(3) any trends in, or movements of, volume of futures and options trading to or from United States boards of trade during the period of the study, and whether such trends or movements, if any, were the result of the adoption of statutes, regulations, or other enforcement mechanisms in foreign countries or the United States, as opposed to other competitive, economic, regional, or commercial factors;

(4) any significant harms or risks to the public interest, market users, traders, and commerce in relation to futures or options traded on such foreign boards of trade which may result from the absence of statutes, regulations, or other enforcement mechanisms in foreign countries or the United

States or disparities in regulatory protections offered by United States and foreign authorities; and

(5) any recommendations the Commission may have as a result of the study to enhance the competitive status of United States boards of trade in the world market, or to enhance the regulations of markets in the global environment, that will not impair customer confidence in United States boards of trade.

(b) COOPERATION.—To promote the efficient use of resources, the Commission shall endeavor, as it determines appropriate, to obtain the assistance of the General Accounting Office, the Office of the United States Trade Representative, or other appropriate offices of the Federal Government in order to obtain information with regard to trading at foreign boards of trade and the regulation of such boards of trade by foreign futures authorities.

SEC. 220. COMPUTERIZED FUTURES TRADING.

(a) INTERNATIONAL COMPETITIVENESS OF ELECTRONIC TRADING SYSTEMS.—Section 12 (7 U.S.C. 16) (as amended by section 303 of this Act) is further amended by adding at the end the following new subsection:

"(g) Consistent with its responsibilities under section 18, the Commission is directed to facilitate the development and operation of computerized trading as an adjunct to the open outcry auction system. The Commission is further directed to cooperate with the Office of the United States Trade Representative, the Department of the Treasury, the Department of Commerce, and the Department of State in order to remove any trade barriers that may be imposed by a foreign nation on the international use of electronic trading systems.".

7 USC 22 note.

(b) STUDY.—The Commodity Futures Trading Commission shall conduct a study to assess—

(1) the progress made under initiatives to conduct trading in futures and options subject to the jurisdiction of the Commission under the Commodity Exchange Act through systems of computers or by other electronic means; and

(2) whether the experience with such systems of trading indicates that they may be useful or effective to enhance access to the futures and options markets by potential market participants, improve the ability of the Commission to audit the activities of the futures and options markets, reduce the opportunity for trading abuses, and otherwise be in the public interest or raise other related issues.

(c) REPORT.—Not later than two years after the date of enactment of this Act, the Commission shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report containing the results of the study conducted under subsection (a), together with any appropriate recommendations.

7 USC 13a-1.

SEC. 221. MONEY PENALTIES IN CIVIL COURT ACTIONS.

Section 6c (7 U.S.C. 13c) is amended—

(1) by designating the first, second, third, fourth, fifth, and sixth sentences as subsections (a), (b), (c), (e), (f), and (g), respectively; and

(2) by inserting after subsection (c) (as so designated) the following new subsection:

"(d)(1) In any action brought under this section, the Commission may seek and the court shall have jurisdiction to impose, on a proper showing, on any person found in the action to have committed any violation a civil penalty in the amount of not more than the higher of $100,000 or triple the monetary gain to the person for each violation.

"(2) If a person on whom such a penalty is imposed fails to pay the penalty within the time prescribed in the court's order, the Commission may refer the matter to the Attorney General who shall recover the penalty by action in the appropriate United States district court.".

SEC. 222. CIVIL DAMAGES; LIABILITY OF FUTURES COMMISSION MERCHANTS.

(a) DUTIES OF CONTRACT MARKETS.—Subsection (a)(11) of section 5a (7 U.S.C. 7a) (as amended by section 201(a)(1) of this Act) is further amended—

(1) by striking "(i)" and inserting "(A)";

(2) by striking "voluntary and (ii)" and inserting "voluntary, (B)"; and

(3) by inserting after the word "market" the following: ", and (C) in the case of a claim arising from a violation in the execution of an order on the floor of a contract market, such procedure shall provide, to the extent appropriate—

"(i) for payment of actual damages proximately caused by such violation. If an award of actual damages is made against a floor broker in connection with the execution of a customer order, and the futures commission merchant which selected the floor broker for the execution of the customer order is held to be responsible under section 2(a)(1) for the floor broker's violation, such futures commission merchant may be required to satisfy such award; and

"(ii) where the violation is willful and intentional, for payment to the customer of punitive or exemplary damages, in addition to losses proximately caused by the violation, in an amount equal to no more than two times the amount of such losses. If punitive or exemplary damages are awarded against a floor broker in connection with the execution of a customer order, and the futures commission merchant which selected the floor broker for the execution of such order is held to be responsible under section 2(a)(1) for the floor broker's violation, such futures commission merchant may be required to satisfy the award of punitive or exemplary damages if the floor broker fails to do so, except that such requirement shall apply to the futures commission merchant only if it willfully and intentionally selected the floor broker with the intent to assist or facilitate the floor broker's violation;".

(b) COMPLAINTS AGAINST REGISTERED PERSONS.—Section 14(a) (7 U.S.C. 18(a)) is amended by striking "awarding actual damages proximately caused by such violation." and inserting "awarding—

"(1) actual damages proximately caused by such violation. If an award of actual damages is made against a floor broker in connection with the execution of a customer order, and the futures commission merchant which selected the floor broker for the execution of the customer order is held to be

responsible under section 2(a)(1) for the floor broker's violation, such futures commission merchant may be required to satisfy such award; and

"(2) in the case of any action arising from a willful and intentional violation in the execution of an order on the floor of a contract market, punitive or exemplary damages equal to no more than two times the amount of such actual damages. If an award of punitive or exemplary damages is made against a floor broker in connection with the execution of a customer order, and the futures commission merchant which selected the floor broker for the execution of the customer order is held to be responsible under section 2(a)(1) for the floor broker's violation, such futures commission merchant may be required to satisfy such award if the floor broker fails to do so, except that such requirement shall apply to the futures commission merchant only if it willfully and intentionally selected the floor broker with the intent to assist or facilitate the floor broker's violation.".

(c) REGISTERED FUTURES ASSOCIATIONS.—Section 17(b)(10) (7 U.S.C. 21(b)(10)) (as amended by section 206(b)(1) of this Act) is further amended—

(1) by striking "(i)" and inserting "(A)";

(2) by striking "voluntary and (ii)" and inserting "voluntary, (B)"; and

(3) by inserting after the word "association" the following: ", and (C) in the case of a claim arising from a violation in the execution of an order on the floor of a contract market, such procedure shall provide, to the extent appropriate—

"(i) for payment of actual damages proximately caused by such violation. If an award of actual damages is made against a floor broker in connection with the execution of a customer order, and the futures commission merchant which selected the floor broker for the execution of the customer order is held to be responsible under section 2(a)(1) for the floor broker's violation, such futures commission merchant may be required to satisfy such award; and

"(ii) where the violation is willful and intentional, for payment to the customer of punitive or exemplary damages, in addition to losses proximately caused by the violation, in an amount equal to no more than two times the amount of such losses. If punitive or exemplary damages are awarded against a floor broker in connection with the execution of a customer order, and the futures commission merchant which selected the floor broker for the execution of such order is held to be responsible under section 2(a)(1) for the floor broker's violation, such futures commission merchant may be required to satisfy the award of punitive or exemplary damages if the floor broker fails to do so, except that such requirement shall apply to the futures commission merchant only if it willfully and intentionally selected the floor broker with the intent to assist or facilitate the floor broker's violation".

(d) PRIVATE RIGHTS OF ACTION.—Section 22(a) (7 U.S.C. 25(a)) is amended by adding at the end the following new paragraph:

"(3) In any action arising from a violation in the execution of an order on the floor of a contract market, the person referred to in paragraph (1) shall be liable for—

"(A) actual damages proximately caused by such violation. If an award of actual damages is made against a floor broker in connection with the execution of a customer order, and the futures commission merchant which selected the floor broker for the execution of the customer order is held to be responsible under section 2(a)(1) for the floor broker's violation, such futures commission merchant may be required to satisfy such award; and

"(B) where the violation is willful and intentional, punitive or exemplary damages equal to no more than two times the amount of such actual damages. If an award of punitive or exemplary damages is made against a floor broker in connection with the execution of a customer order, and the futures commission merchant which selected the floor broker for the execution of the customer order is held to be responsible under section 2(a)(1) for the floor broker's violation, such futures commission merchant may be required to satisfy such award if the floor broker fails to do so, except that such requirement shall apply to the futures commission merchant only if it willfully and intentionally selected the floor broker with the intent to assist or facilitate the floor broker's violation.".

SEC. 223. CUSTOMER RESTITUTION.

The tenth sentence of section 6(c) (7 U.S.C. 9) (as redesignated by section 209(a)(1) of this Act) is amended—

(1) by inserting "(1)" after "may" the first place it appears;

(2) by striking "and, if" and inserting "(2) if";

(3) by striking "may suspend" and inserting "suspend";

(4) by striking "and may" and inserting "(3)"; and

(5) by inserting before the period the following: "and (4) require restitution to customers of damages proximately caused by violations of such persons".

SEC. 224. COMPLAINTS AGAINST REGISTERED PERSONS; CLASS ACTION SUITS.

Section 14(a) (7 U.S.C. 18(a)) (as amended by section 222(b) of this Act) is further amended—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(2) by inserting "(1)" after the subsection designation; and

(3) by adding at the end the following new paragraph:

"(2)(A) An action may be brought under this subsection by any one or more persons described in this subsection for and in behalf of such person or persons and other persons similarly situated, if the Commission permits such actions pursuant to a final rule issued by the Commission.

"(B) Not later than two hundred and seventy days after the date of enactment of this paragraph, the Commission shall propose and publish for public comment such rules as are necessary to carry out subparagraph (A). In developing such rules, the Commission shall consider the potential impact of such actions on resources available to the reparations system established under this Act and the relative merits of bringing such actions in Federal court.".

7 USC 13 note.

SEC. 225. PENALTIES STUDY AND GUIDELINES.

(a) STUDY.—The Commodity Futures Trading Commission shall study the penalties the Commission imposes against persons found to have violated the Commodity Exchange Act (7 U.S.C. 1 et seq.) and the penalties imposed by contract markets and registered futures associations against persons found to have violated their respective rules established under such Act.

(b) REPORT.—Not later than two years after the date of enactment of this Act, the Commission shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that describes the results of the study conducted under subsection (a). The report shall—

(1) include an analysis of whether systematic differences exist among penalties imposed by various contract markets and registered futures associations for similar offenses, and, if so, the causes of such differences;

(2) propose industry-wide guidelines or rules to make penalty levels among contract markets and registered futures associations consistent, including, if appropriate, minimum penalties or penalty ranges for various offenses; and

(3) propose guidelines or rules to make Commission penalty levels consistent, including, if appropriate, minimum penalties or penalty ranges for various offenses.

SEC. 226. PUBLICATION OF COMMISSION OPINIONS.

Section 2(a)(9) (7 U.S.C. 4a(h)) is amended by adding at the end the following new subparagraph:

"(C) Whenever the Commission issues for official publication any opinion, release, rule, order, interpretation, or other determination on a matter, the Commission shall provide that any dissenting, concurring, or separate opinion by any Commissioner on the matter be published in full along with the Commission opinion, release, rule, order, interpretation, or determination.".

SEC. 227. SUSPENSION OF REGISTRANTS CHARGED WITH FELONIES.

Section 8a (7 U.S.C. 12a) is amended—

(1) by striking "and" at the end of paragraph (9);

(2) by striking the period at the end of paragraph (10) and inserting "; and"; and

(3) by adding at the end the following new paragraph:

"(11)(A) by written notice served on the person and pursuant to such rules, regulations, and orders as the Commission may adopt, to suspend or modify the registration of any person registered under this Act who is charged (in any information, indictment, or complaint authorized by a United States attorney or an appropriate official of any State) with the commission of or participation in a crime involving a violation of this Act, or a violation of any other provision of Federal or State law that would reflect on the honesty or the fitness of the person to act as a fiduciary (including an offense specified in subparagraph (D) or (E) of paragraph (2)) that is punishable by imprisonment for a term exceeding one year, if the Commission determines that continued registration of the person may pose a threat to the public interest or may threaten to impair public confidence in any market regulated by the Commission.

"(B) Prior to the suspension or modification of the registration of a person under this paragraph, the person shall be afforded an opportunity for a hearing at which the Commission shall have the burden of showing that the continued registration of the person does, or is likely to, pose a threat to the public interest or threaten to impair public confidence in any market regulated by the Commission.

"(C) Any notice of suspension or modification issued under this paragraph shall remain in effect until such information, indictment, or complaint is disposed of or until terminated by the Commission.

"(D) On disposition of such information, indictment, or complaint, the Commission may issue and serve on such person an order pursuant to paragraph (2) or (4) to suspend, restrict, or revoke the registration of such person.

"(E) A finding of not guilty or other disposition of the charge shall not preclude the Commission from thereafter instituting any other proceedings under this Act.

"(F) A person aggrieved by an order issued under this paragraph may obtain review of such order in the same manner and on the same terms and conditions as are provided in section 6(b).".

SEC. 228. APPEALS BY REGISTERED FUTURES ASSOCIATIONS.

Section 17(i)(4) (7 U.S.C. 21(i)(4)) is amended by striking "(other than a registered futures association)."

SEC. 229. RISK ASSESSMENT FOR HOLDING COMPANY SYSTEMS.

Section 4f (7 U.S.C. 6f) (as amended by section 207(b)(1) of this Act) is further amended—

(1) by redesignating paragraphs (1) and (2) as subsections (a) and (b), respectively;

(2) in subsection (b) (as so redesignated), by striking "this paragraph (2)" and inserting "this subsection"; and

(3) by adding at the end the following new subsection:

"(c)(1) As used in this subsection:

"(i) The term 'affiliated person' means any person directly or indirectly controlling, controlled by, or under common control with a futures commission merchant, as the Commission, by rule or regulation, may determine will effectuate the purposes of this subsection.

"(ii) The term 'Federal banking agency' shall have the same meaning as the term 'appropriate Federal banking agency' in section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. 1813(q)).

"(2)(A) Each registered futures commission merchant shall obtain such information and make and keep such records as the Commission, by rule or regulation, prescribes concerning the registered futures commission merchant's policies, procedures, or systems for monitoring and controlling financial and operational risks to it resulting from the activities of any of its affiliated persons, other than a natural person. Records.

"(B) The records required under subparagraph (A) shall describe, in the aggregate, each of the futures and other financial activities conducted by, and the customary sources of capital and funding of, those of its affiliated persons whose business activities are reasonably likely to have a material impact on the financial or operational condition of the futures commission merchant, includ-

ing its adjusted net capital, its liquidity, or its ability to conduct or finance its operations.

"(C) The Commission, by rule or regulation, may require summary reports of such information to be filed by the futures commission merchant with the Commission no more frequently than quarterly.

"(3)(A), If, as a result of adverse market conditions or based on reports provided to the Commission pursuant to paragraph (2) or other available information, the Commission reasonably concludes that the Commission has concerns regarding the financial or operational condition of any registered futures commission merchant, the Commission may require the futures commission merchant to make reports concerning the futures and other financial activities of any of such person's affiliated persons, other than a natural person, whose business activities are reasonably likely to have a material impact on the financial or operational condition of the futures commission merchant.

"(B) The Commission, in requiring reports pursuant to this paragraph, shall specify the information required, the period for which it is required, the time and date on which the information must be furnished, and whether the information is to be furnished directly to the Commission or to a contract market or other self-regulatory organization with primary responsibility for examining the registered futures commission merchant's financial and operational condition.

"(4)(A) in developing and implementing reporting requirements pursuant to paragraph (2) with respect to affiliated persons subject to examination by or reporting requirements of a Federal banking agency, the Commission shall consult with and consider the views of each such Federal banking agency. If a Federal banking agency comments in writing on a proposed rule of the Commission under this subsection that has been published for comment, the Commission shall respond in writing to the written comment before adopting the proposed rule. The Commission shall, at the request of the Federal banking agency, publish the comment and response in the Federal Register at the time of publishing the adopted rule.

Federal Register, publication.

"(B)(i) Except as provided in clause (ii), a registered futures commission merchant shall be considered to have compiled with a recordkeeping or reporting requirement adopted pursuant to paragraph (2) concerning an affiliated person that is subject to examination by, or reporting requirements of, a Federal banking agency if the futures commission merchant utilizes for the recordkeeping or reporting requirement copies of reports filed by the affiliated person with the Federal banking agency pursuant to section 5211 of the Revised Statutes (12 U.S.C. 161), section 9 of the Federal Reserve Act (12 U.S.C. 321 et seq.), section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a), section 10(b) of the Home Owners' Loan Act (12 U.S.C. 1467a(b)), or section 5 of the Bank Holding Company Act of 1956 (12 U.S.C. 1844).

"(ii) The Commission may, by rule adopted pursuant to paragraph (2), require any futures commission merchant filing the reports with the Commission to obtain, maintain, or report supplemental information if the Commission makes an explicit finding that the supplemental information is necessary to inform the Commission regarding potential risks to the futures commission merchant. Prior to requiring any such supplemental information,

the Commission shall first request the Federal banking agency to expand its reporting requirements to include the information.

"(5) Prior to making a request pursuant to paragraph (3) for information with respect to an affiliated person that is subject to examination by or reporting requirements of a Federal banking agency, the Commission shall—

"(A) notify the agency of the information required with respect to the affiliated person; and

"(B) consult with the agency to determine whether the information required is available from the agency and for other purposes, unless the Commission determines that any delay resulting from the consultation would be inconsistent with ensuring the financial and operational condition of the futures commission merchant or the stability or integrity of the futures markets.

"(6) Nothing in this subsection shall be construed to permit the Commission to require any futures commission merchant to obtain, maintain, or furnish any examination report of any Federal banking agency or any supervisory recommendations or analysis contained in the report.

"(7) No information provided to or obtained by the Commission from any Federal banking agency pursuant to a request under paragraph (5) regarding any affiliated person that is subject to examination by or reporting requirements of a Federal banking agency may be disclosed to any other person (other than as provided in section 8 or section 8a(6)), without the prior written approval of the Federal banking agency.

"(8) The Commission shall notify a Federal banking agency of any concerns of the Commission regarding significant financial or operational risks resulting from the activities of any futures commission merchant to any affiliated person thereof that is subject to examination by or reporting requirements of the Federal banking agency.

"(9) The Commission, by rule, regulation, or order, may exempt any person or class of persons under such terms and conditions and for such periods as the Commission shall provide in the rule, regulation, or order, from this subsection and the rules and regulations issued under this subsection. In granting the exemption, the Commission shall consider, among other factors—

"(A) whether information of the type required under this subsection is available from a supervisory agency (as defined in section 1101(7) of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401(7))), a State insurance commission or similar State agency, the Securities and Exchange Commission, or a similar foreign regulator;

"(B) the primary business of any affiliated person;

"(C) the nature and extent of domestic or foreign regulation of the affiliated person's activities;

"(D) the nature and extent of the registered futures commission merchant's commodity futures and options activities; and

"(E) with respect to the registered futures commission merchant and its affiliated persons, on a consolidated basis, the amount and proportion of assets devoted to, and revenues derived from activities in the United States futures markets.

"(10) Information required to be provided pursuant to this subsection shall be subject to section 8. Except as specifically provided in section 8 and notwithstanding any other provision of law,

the Commission shall not be compelled to disclose any information required to be reported under this subsection, or any information supplied to the Commission by any domestic or foreign regulatory agency that relates to the financial or operational condition of any affiliated person of a registered futures commission merchant.

"(11) Nothing in paragraphs (1) through (10) shall be construed to supersede or to limit in any way the authority or powers of the Commission pursuant to any other provision of this Act or regulations issued under this Act.".

TITLE III—ASSISTANCE TO FOREIGN FUTURES AUTHORITIES

SEC. 301. SUBPOENA AUTHORITY.

The third sentence of section 6(c) (7 U.S.C. 15) (as redesignated by section 209(a)(1)) is amended—

(1) by striking "Act and" and inserting "Act,"; and

(2) by striking "Act, any" and inserting "Act, and for the purpose of any action taken under section 12(f), any".

SEC. 302. COOPERATION WITH FOREIGN FUTURES AUTHORITIES.

Section 12(a) (7 U.S.C. 16(a)) is amended by inserting after "thereof," the following: "any foreign futures authority, any department or agency of a foreign government or political subdivision thereof,".

SEC. 303. INVESTIGATIVE ASSISTANCE TO FOREIGN FUTURES AUTHORITIES.

Section 12 (7 U.S.C. 16) is amended by adding at the end the following:

"(f)(1) On request from a foreign futures authority, the Commission may, in its discretion, provide assistance in accordance with this section if the requesting authority states that the requesting authority is conducting an investigation which it deems necessary to determine whether any person has violated, is violating, or is about to violate any laws, rules or regulations relating to futures or options matters that the requesting authority administers or enforces. The Commission may conduct such investigation as the Commission deems necessary to collect information and evidence pertinent to the request for assistance. Such assistance may be provided without regard to whether the facts stated in the request would also constitute a violation of the laws of the United States.

"(2) In deciding whether to provide assistance under this subsection, the Commission shall consider whether—

"(A) the requesting authority has agreed to provide reciprocal assistance to the Commission in futures and options matters; and

"(B) compliance with the request would prejudice the public interest of the United States.

"(3) Notwithstanding any other provision of law, the Commission may accept payment and reimbursement, in cash or in kind, from a foreign futures authority, or made on behalf of such authority, for necessary expenses incurred by the Commission, its members, and employees in carrying out any investigation, or in providing any other assistance to a foreign futures authority, pursuant to this section. Any payment or reimbursement accepted shall be considered a reimbursement to the appropriated funds of the Commission.".

SEC. 304. DISCLOSURE OF INFORMATION RECEIVED FROM FOREIGN FUTURES AUTHORITIES.

Section 8 of the Commodity Exchange Act (7 U.S.C. 12) is amended—

(1) by adding at the end of subsection (a)(1) (as so redesignated by section 205(1)), the following:

"The Commission shall not be compelled to disclose any information or data obtained from a foreign futures authority if—

"(A) the foreign futures authority has in good faith determined and represented to the Commission that disclosure of such information or data by that foreign futures authority would violate the laws applicable to that foreign futures authority; and

"(B) the Commission obtains such information pursuant to—

"(i) such procedure as the Commission may authorize for use in connection with the administration or enforcement of this Act; or

"(ii) a memorandum of understanding with that foreign futures authority;

except that nothing in this subsection shall prevent the Commission from disclosing publicly any information or data obtained by the Commission from a foreign futures authority when such disclosure is made in connection with a congressional proceeding, an administrative or judicial proceeding commenced by the United States or the Commission, in any receivership proceeding commenced involving a receiver appointed in a judicial proceeding by the United States or the Commission, or in any proceeding under title 11 of the United States Code in which the Commission has intervened or in which the Commission has the right to appear and be heard. Nothing in this subsection shall be construed to authorize the Commission to withhold information or data from Congress. For purposes of section 552 of title 5, United States Code, this subsection shall be considered a statute described in subsection (b)(3)(B) of section 552."; and

(2) by adding at the end of subsection (b) the following: "This subsection shall not apply to the disclosure of data or information obtained by the Commission from a foreign futures authority.".

SEC. 305. DISCLOSURE OF INFORMATION TO FOREIGN FUTURES AUTHORITIES

Section 8(e) (7 U.S.C. 12(e)) is amended—

(1) in the fifth sentence—

(A) by inserting after "jurisdiction," the first place it appears the following: "any foreign futures authority,"; and

(B) by inserting after "such" the following: "foreign futures authority,"; and

(2) in the last sentence—

(A) by inserting after "information to a" the following: "foreign futures authority or to a";

(B) by inserting after "disclosed by such" the following: "foreign futures authority,"; and

(C) by inserting after "or agency thereof" the following: ", or foreign futures authority.".

TITLE IV—AUTHORIZATION OF APPROPRIATIONS; TECHNICAL AMENDMENTS; EFFECTIVE DATE

SEC. 401. AUTHORIZATION OF APPROPRIATIONS.

Section 12(d) (7 U.S.C. 16(d)) is amended to read as follows:

"(d) There are authorized to be appropriated to carry out this Act—

"(1) $53,000,000 for fiscal year 1993; and

"(2) $60,000,000 for fiscal year 1994.".

SEC. 402. TECHNICAL AMENDMENTS.

The Commodity Exchange Act (7 U.S.C. 1 et seq.) is amended—

(1) by striking "commission" in—

7 USC 6a. (A) section 4a (as amended by paragraph (2)) each place it appears, other than in subsection (d), as so redesignated;

7 USC 8. (B) section 6(b), as so redesignated by section 209(a)(1), each place it appears;

7 USC 9. (C) section 6(c), as so redesignated by section 209(a)(1);

7 USC 13c. (D) section 13(c); and inserting "Commission";

(2) in section 4a (7 U.S.C. 6a)—

(A) in subsection (1) by striking "subparagraphs 2 (A) and (B)" and inserting "paragraphs (1) and (2) of subsection (b)";

(B) in subsection (3) by striking "subsection (1)" and inserting "subsection (a)";

(C) by redesignating subsections (1) through (5) as subsections (a) through (e), respectively; and

(D) in subsection (b), as so redesignated, by redesignating paragraphs (A) and (B) as paragraphs (1) and (2), respectively.

7 USC 6b. (3) in section 4b—

(A) by redesignating subdivisions (A) through (D) as subdivisions (i) through (iv), respectively;

(B) by striking "(a)", "(b)", and "(c)", and inserting "(A)", "(B)", and "(C)", respectively;

(C) by inserting "(a)" after "SEC. 4b.";

(D) by inserting "(b)" before "Nothing in this section or"; and

(E) by inserting "(c)" before "Nothing in this section shall";

7 USC 6c. (4) in section 4c(d)(2)—

(A) in subparagraph (A)(iv) by striking "(15 U.S.C. 78c(a)(12))" and inserting "(15 U.S.C. 78c(a)(12))"; and

(B) in the matter following subparagraph (C) by striking "section (2)(a)" and inserting "section 2(a)";

(5) in section 4g (7 U.S.C. 6g)—

(A) by redesignating subsections (1) through (6) as subsections (a) through (f), respectively; and

(B) in subsection (c), as so redesignated, by striking "subsection (2)" and inserting "subsection (b)";

7 USC 9. (6) in section 6(c), as so redesignated by section 209(a)(1), by striking "offending person." and inserting "offending person";

7 USC 15, 12. (7) in section 6(c), as so redesignated by section 209(a)(1), and in section 8(f) by striking "subpena" and "subpenas" each place they appear and inserting "subpoena" and "subpoenas", respectively;

(8) in section 6a, as amended by section 209(b)(4), by redesignating subsections (1) and (2) as subsections (a) and (b), respectively; 7 USC 10a.

(9) by striking "the Secretary of Agriculture or"—

(A) in the first sentence of section 6(b), as so redesignated by section 209(a)(1); 7 USC 8.

(B) in the first sentence of section 6(c), as so redesignated by section 207(a)(1); and 7 USC 9.

(C) in section 13(c); 7 USC 13c.

(10) in section 8a— 7 USC 12a.

(A) in paragraph (5) by striking "and" at the end; and

(B) in paragraph (7) by striking "matters as:" and inserting "matters as—";

(11) in section 14(g) by striking "fifteen months" the second place it appears and inserting "15-month"; 7 USC 18.

(12) in section 17— 7 USC 21.

(A) in subsection (a) by indenting the left margin of paragraphs (1) and (2) by 2 ems; and

(B) in subsection (l)(2)(B)—

(i) by striking "the Commodity Exchange" and inserting "this"; and

(ii) by striking the period at the end and inserting "; and";

(13) by striking section 21; 7 USC 4a note.

(14) in section 22(a)— 7 USC 25.

(A) in paragraph (1)—

(i) in the matter preceding subparagraph (A) by striking "clauses (A) through (D)" and inserting "subparagraphs (A) through (D)"; and

(ii) in subparagraph (D) by striking "clause (B)" and inserting "subparagraph (B)"; and

(B) in paragraph (2) by striking "17b(10)" and inserting "17(b)(10)"; and

(15) by striking section 23. 7 USC 26.

SEC. 403. EFFECTIVE DATE. 7 USC 1a note.

Except as otherwise specifically provided in this Act, this Act and the amendments made by this Act shall become effective on the date of enactment of this Act.

SEC. 404. DEFINITIONS.

(a) IN GENERAL.—The Act is amended by inserting after the first section (7 U.S.C. 1) the following new section:

"SEC. 1a. DEFINITIONS. 7 USC 1a.

"As used in this Act:

"(1) BOARD OF TRADE.—The term 'board of trade' means any exchange or association, whether incorporated or unincorporated, of persons who are engaged in the business of buying or selling any commodity or receiving the same for sale on consignment.

"(2) COMMISSION.—The term 'Commission' means the Commodity Futures Trading Commission established under section 2(a)(2).

"(3) COMMODITY.—The term 'commodity' means wheat, cotton, rice, corn, oats, barley, rye, flaxseed, grain sorghums, mill feeds, butter, eggs, Solanum tuberosum (Irish potatoes), wool,

wool tops, fats and oils (including lard, tallow, cottonseed oil, peanut oil, soybean oil, and all other fats and oils), cottonseed meal, cottonseed, peanuts, soybeans, soybean meal, livestock, livestock products, and frozen concentrated orange juice, and all other goods and articles, except onions as provided in Public Law 85–839 (7 U.S.C. 13–1), and all services, rights, and interests in which contracts for future delivery are presently or in the future dealt in.

"(4) COMMODITY POOL OPERATOR.—The term 'commodity pool operator' means any person engaged in a business that is of the nature of an investment trust, syndicate, or similar form of enterprise, and who, in connection therewith, solicits, accepts, or receives from others, funds, securities, or property, either directly or through capital contributions, the sale of stock or other forms of securities, or otherwise, for the purpose of trading in any commodity for future delivery on or subject to the rules of any contract market, except that the term does not include such persons not within the intent of the definition of the term as the Commission may specify by rule, regulation, or order.

"(5) COMMODITY TRADING ADVISOR.—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'commodity trading advisor' means any person who—

"(i) for compensation or profit, engages in the business of advising others, either directly or through publications, writings, or electronic media, as to the value of or the advisability of trading in—

"(I) any contract of sale of a commodity for future delivery made or to be made on or subject to the rules of a contract market;

"(II) any commodity option authorized under section 4c; or

"(III) any leverage transaction authorized under section 19; or

"(ii) for compensation or profit, and as part of a regular business, issues or promulgates analyses or reports concerning any of the activities referred to in clause (i).

"(B) EXCLUSIONS.—Subject to subparagraph (C), the term 'commodity trading advisor' does not include—

"(i) any bank or trust company or any person acting as an employee thereof;

"(ii) any news reporter, news columnist, or news editor of the print or electronic media, or any lawyer, accountant, or teacher;

"(iii) any floor broker or futures commission merchant;

"(iv) the publisher or producer of any print or electronic data of general and regular dissemination, including its employees;

"(v) the fiduciary of any defined benefit plan that is subject to the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.);

"(vi) any contract market; and

"(vii) such other persons not within the intent of this paragraph as the Commission may specify by rule, regulation, or order.

"(C) INCIDENTAL SERVICES.—Subparagraph (B) shall apply only if the furnishing of such services by persons referred to in subparagraph (B) is solely incidental to the conduct of their business or profession.

"(D) ADVISORS.—The Commission, by rule or regulation, may include within the term 'commodity trading advisor', any person advising as to the value of commodities or issuing reports or analyses concerning commodities if the Commission determines that the rule or regulation will effectuate the purposes of this paragraph.

"(6) CONTRACT OF SALE.—The term 'contract of sale' includes sales, agreements of sale, and agreements to sell.

"(7) COOPERATIVE ASSOCIATION OF PRODUCERS.—The term 'cooperative association of producers' means any cooperative association, corporate, or otherwise, not less than 75 percent in good faith owned or controlled, directly or indirectly, by producers of agricultural products and otherwise complying with the Act of February 18, 1922 (42 Stat. 388, chapter 57; 7 U.S.C. 291 and 292), including any organization acting for a group of such associations and owned or controlled by such associations, except that business done for or with the United States, or any agency thereof, shall not be considered either member or nonmember business in determining the compliance of any such association with this Act.

"(8) FLOOR BROKER.—The term 'floor broker' means any person who, in or surrounding any pit, ring, post, or other place provided by a contract market for the meeting of persons similarly engaged, shall purchase or sell for any other person any commodity for future delivery on or subject to the rules of any contract market.

"(9) FLOOR TRADER.—The term 'floor trader' means any person who, in or surrounding any pit, ring, post, or other place provided by a contract market for the meeting of persons similarly engaged, purchases, or sells solely for such person's own account, any commodity for future delivery on or subject to the rules of any contract market.

"(10) FOREIGN FUTURES AUTHORITY.—The term 'foreign futures authority' means any foreign government, or any department, agency, governmental body, or regulatory organization empowered by a foreign government to administer or enforce a law, rule, or regulation as it relates to a futures or options matter, or any department or agency of a political subdivision of a foreign government empowered to administer or enforce a law, rule, or regulation as it relates to a futures or options matter.

"(11) FUTURE DELIVERY.—The term 'future delivery' does not include any sale of any cash commodity for deferred shipment or delivery.

"(12) FUTURES COMMISSION MERCHANT.—The term 'futures commission merchant' means an individual, association, partnership, corporation, or trust that—

"(A) is engaged in soliciting or in accepting orders for the purchase or sale of any commodity for future deliv-

ery on or subject to the rules of any contract market; and

"(B) in or in connection with such solicitation or acceptance of orders, accepts any money, securities, or property (or extends credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that result or may result therefrom.

"(13) INTERSTATE COMMERCE.—The term 'interstate commerce' means commerce—

"(A) between any State, territory, or possession, or the District of Columbia, and any place outside thereof; or

"(B) between points within the same state, territory, or possession, or the District of Columbia, but through any place outside thereof, or within any territory or possession, or the District of Columbia.

"(14) INTRODUCING BROKER.—The term 'introducing broker' means any person (except an individual who elects to be and is registered as an associated person of a futures commission merchant) engaged in soliciting or in accepting orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market who does not accept any money, securities, or property (or extend credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that result or may result therefrom.

"(15) MEMBER OF A CONTRACT MARKET.—The term 'member of a contract market' means an individual, association, partnership, corporation, or trust owning or holding membership in, or admitted to membership representation on, a contract market or given members' trading privileges thereon.

"(16) PERSON.—The term 'person' imports the plural or singular, and includes individuals, associations, partnerships, corporations, and trusts.".

(b) CONFORMING AMENDMENTS.—Section 2(a)(1)(A) (7 U.S.C. 2 and 4) is amended—

(1) by striking "For the purposes" and all that follows through "; *Provided,* That the Commission" and inserting "(i) The Commission";

(2) by striking ": *And provided further,* That, except" and inserting a period and "Except";

(3) by redesignating clauses (i) and (ii) of the third sentence (as in effect before the amendments made by this subsection) as subclauses (I) and (II), respectively;

(4) by designating the fifth sentence (as in effect before the amendments made by this subsection) as clause (ii);

(5) by striking the sixth and seventh sentences (as in effect before the amendments made by this subsection);

(6) by designating the eighth sentence (as in effect before the amendments made by this subsection) as clause (iii); and

(7) by striking the ninth sentence (as in effect before the amendments made by this subsection) through the end of the subparagraph.

TITLE V—INTERMARKET COORDINATION

SEC. 501. MARGIN ON STOCK INDEX FUTURES.

Section 2(a)(1)(B) (7 U.S.C. 2a) is amended by adding at the end the following new clause:

"(vi)(I) Notwithstanding any other provision of this Act, any contract market in a stock index futures contract (or option thereon) shall file with the Board of Governors of the Federal Reserve System any rule establishing or changing the levels of margin (initial and maintenance) for the stock index futures contract (or option thereon).

"(II) The Board may at any time request any contract market to set the margin for any stock index futures contract (or option thereon) at such levels as the Board in its judgment determines are appropriate to preserve the financial integrity of the contract market or its clearing system or to prevent systemic risk. If the contract market fails to do so within the time specified by the Board in its request, the Board may direct the contract market to alter or supplement the rules of the contract market as specified in the request.

"(III) Subject to such conditions as the Board may determine, the Board may delegate any or all of its authority under this clause only to the Commission.

"(IV) Nothing in this clause shall supersede or limit the authority granted to the Commission in section 8a(9) to direct a contract market, on finding an emergency to exist, to raise temporary emergency margin levels on any futures contract or option on the contract covered by this clause.

"(V) Any action taken by the Board, or by the Commission acting under the delegation of authority under subclause III, under this clause directing a contract market to alter or supplement a contract market rule shall be subject to review only in the Court of Appeals where the party seeking review resides or has its principal place of business, or in the United States Court of Appeals for the District of Columbia Circuit. The review shall be based on the examination of all information before the Board or the Commission, as the case may be, at the time the determination was made. The court reviewing the action of the Board or the Commission shall not enter a stay or order of mandamus unless the court has determined, after notice and a hearing before a panel of the court, that the agency action complained of was arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.".

SEC. 502. EXEMPTIVE AUTHORITY.

(a) IN GENERAL.—Section 4 (7 U.S.C. 6) is amended—

(1) in subsection (a), by striking "It shall be unlawful" and inserting "Unless exempted by the Commission pursuant to subsection (c), it shall be unlawful"; and

(2) by adding at the end the following new subsections:

"(c)(1) In order to promote responsible economic or financial innovation and fair competition, the Commission by rule, regulation, or order, after notice and opportunity for hearing, may (on its own initiative or on application of any person, including any board of trade designated as a contract market for transactions for future delivery in any commodity under section 5 of this Act) exempt any agreement, contract, or transaction (or class thereof) that is otherwise subject to subsection (a) (including any person or class of persons offering, entering into, rendering advice or rendering other services with respect to, the agreement, contract, or transaction), either unconditionally or on stated terms or conditions or for stated periods and either retroactively or prospectively, or

both, from any of the requirements of subsection (a), or from any other provision of this Act (except section 2(a)(1)(B)), if the Commission determines that the exemption would be consistent with the public interest."

"(2) The Commission shall not grant any exemption under paragraph (1) from any of the requirements of subsection (a) unless the Commission determines that—

"(A) the requirement should not be applied to the agreement, contract, or transaction for which the exemption is sought and that the exemption would be consistent with the public interest and the purposes of this Act; and

"(B) the agreement, contract, or transaction—

"(i) will be entered into solely between appropriate persons; and

"(ii) will not have a material adverse effect on the ability of the Commission or any contract market to discharge its regulatory or self-regulatory duties under this Act.

"(3) For purposes of this subsection, the term 'appropriate person' shall be limited to the following persons or classes thereof:

"(A) A bank or trust company (acting in an individual or fiduciary capacity).

"(B) A savings association.

"(C) An insurance company.

"(D) An investment company subject to regulation under the Investment Company Act of 1940 (15 U.S.C. 80a–1 et seq.).

"(E) A commodity pool formed or operated by a person subject to regulation under this Act.

"(F) A corporation, partnership, proprietorship, organization, trust, or other business entity with a net worth exceeding $1,000,000 or total assets exceeding $5,000,000, or the obligations of which under the agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by any such entity or by an entity referred to in subparagraph (A), (B), (C), (H), (I), or (K) of this paragraph.

"(G) An employee benefit plan with assets exceeding $1,000,000, or whose investment decisions are made by a bank, trust company, insurance company, investment adviser registered under the Investment Advisers Act of 1940 (15 U.S.C. 80a–1 et seq.), or a commodity trading advisor subject to regulation under this Act.

"(H) Any governmental entity (including the United States, any state, or any foreign government) or political subdivision thereof, or any multinational or supranational entity or any instrumentality, agency, or department of any of the foregoing.

"(I) A broker-dealer subject to regulation under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) acting on its own behalf or on behalf of another appropriate person.

"(J) A futures commission merchant, floor broker, or floor trader subject to regulation under this Act acting on its own behalf or on behalf of another appropriate person.

"(K) Such other persons that the Commission determines to be appropriate in light of their financial or other qualifications, or the applicability of appropriate regulatory protections.

"(4) During the pendency of an application for an order granting an exemption under paragraph (1), the Commission may limit the public availability of any information received from the applicant if the applicant submits a written request to limit disclosure contemporaneous with the application, and the Commission determines that—

"(A) the information sought to be restricted constitutes a trade secret; or

"(B) public disclosure of the information would result in material competitive harm to the applicant.

"(5) The Commission may—

"(A) promptly following the enactment of this subsection, or upon application by any person, exercise the exemptive authority granted under paragraph (1) with respect to classes of hybrid instruments that are predominantly securities or depository instruments, to the extent that such instruments may be regarded as subject to the provisions of this Act; or

"(B) promptly following the enactment of this subsection, or upon application by any person, exercise the exemptive authority granted under paragraph (1) effective as of October 23, 1974, with respect to classes of swap agreements (as defined in section 101 of title 11, United States Code) that are not part of a fungible class of agreements that are standardized as to their material economic terms, to the extent that such agreements may be regarded as subject to the provisions of this Act.

Any exemption pursuant to this paragraph shall be subject to such terms and conditions as the Commission shall determine to be appropriate pursuant to paragraph (1).

"(d) The granting of an exemption under this section shall not affect the authority of the Commission under any other provision of this Act to conduct investigations in order to determine compliance with the requirements or conditions of such exemption or to take enforcement action for any violation of any provision of this Act or any rule, regulation or order thereunder caused by the failure to comply with or satisfy such conditions or requirements.".

(b) COMPETITIVE FAIRNESS.—Section 15 (7 U.S.C. 19) is amended by striking "regulation," and inserting "regulation (including any exemption under section 4(c) or 4c(b)),".

(c) CONFORMING AMENDMENT.—Section 12(e)(2)(A) (7 U.S.C. 16(e)(2)(A)) is amended by inserting after "market," the following: "or, in the case of any State or local law that prohibits or regulates

gaming or the operation of 'bucket shops' (other than antifraud provisions of general applicability), that is not a transaction or class of transactions that has received or is covered by the terms of any exemption previously granted by the Commission under subsection (c) of section 4 of this Act,".

Approved October 28, 1992.

LEGISLATIVE HISTORY—H.R. 707 (S. 207):

HOUSE REPORTS: Nos. 102-6 (Comm. on Agriculture) and 102-978 (Comm. of Conference).
SENATE REPORTS: No. 102-22 accompanying S. 207 (Comm. on Agriculture, Nutrition and Forestry).
CONGRESSIONAL RECORD:
Vol. 137 (1991): Mar. 5, considered and passed House.
Apr. 16-18, S. 207 considered in Senate; H.R. 707, amended, passed in lieu.
Vol. 138 (1992): Oct. 2, House agreed to conference report.
Oct. 8, Senate agreed to conference report.
WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 28 (1992):
Oct. 28, Presidential statement.