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APPROVED
APR 16 1975

THE WHITE HOUSE
WASHINGTON
April 16, 1975

ACTION
Last Day: April 28

Announced
4/17

To archive
4/17

MEMORANDUM FOR THE PRESIDENT
FROM: JIM CANNON *Jac*
SUBJECT: Enrolled Resolution H.J. Res. 335 - Amend
the Commodity Futures Trading Commission Act

Attached for your consideration is H.J. Res. 335, sponsored by Representative Foley and three others, which extends for a period not to exceed 90 days, the date by which the Commodity Futures Trading Commission must carry out certain provisions of the Commodity Futures Trading Commission Act.

Under the Act, if the Commodity Futures Trading Commission does not take specified actions by April 21, 1975, certain activities relating to the operation of the Nation's commodities markets and trading cannot continue to be carried on. Since the Commission was only formally established on April 15, 1975, it is not possible to carry out these actions by the deadline.

Additional background is provided in OMB's enrolled bill report at Tab A.

OMB recommends your approval of the resolution as soon as possible. Bill Seidman, Max Friedersdorf, Phil Buchen (Lazarus) and I concur in this recommendation.

RECOMMENDATION

That you sign H.J. Res. 335 at Tab B.



APPROVED
APR 16 1975

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 16 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Resolution H.J.Res. 335 - Amend Commodity
Futures Trading Commission Act
Sponsor - Rep. Foley (D) Washington and 3 others

Last Day for Action

Your signature is recommended as soon as possible in order that the provisions of the resolution may take effect without delay.

Purpose

Authorizes the extension of the effective date of certain provisions of the Commodity Futures Trading Commission Act for periods of not to exceed 90 days.

Agency Recommendations

Office of Management and Budget	Approval
Commodity Futures Trading Commission	Approval (informally)
Department of Agriculture	Approval (informally)

Discussion

The Commodity Futures Trading Commission Act of 1974 -- which was approved by the President on October 23, 1974 -- makes extensive changes in the Commodity Exchange Act, brings under Federal regulation all agricultural and other commodities, goods, and services traded on boards of trade, and otherwise strengthens the regulation of the Nation's \$500 billion commodity futures trading industry. The changes made by the 1974 Act include the establishment of the Commodity Futures Trading Commission, consisting of a Chairman and four other Commissioners.



Under its enabling act, if the Commodity Futures Trading Commission does not take specified actions by April 21, 1975 certain activities relating to the operation of the nation's commodities markets and trading cannot continue to be carried on. The Commission cannot possibly carry out all of these required actions by that date since it was only formally established on April 15, 1975 when four Commissioners were sworn in.

H.J.Res. 335 will extend, until a date prescribed by the Commission but not to exceed 90 days, the dates by which it must carry out the required actions. The commodities activities involved relate to provisional designation of certain trading markets, delaying Commission approval of the bylaws of contract markets, provisional registration of certain authorized traders, trading by brokers for their own accounts, definition of hedging transactions, and settlement of customers' claims.

The Commission has prepared implementing regulations to carry out H.J.Res 335 which will be published in the Federal Register as soon as possible after the resolution is approved.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 16 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Resolution H.J.Res. 335 - Amend Commodity
Futures Trading Commission Act
Sponsor - Rep. Foley (D) Washington and 3 others

Last Day for Action

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To-
Nathan Handberg
4-16-75
1:00 P.M.

THE WHITE HOUSE

WASHINGTON

April 16, 1975

MEMORANDUM FOR: WARREN HENDRIKS

FROM: MAX L. FRIEDERSDORF *M-6*

SUBJECT: Action Memorandum - Log No.
H.J. Res 335 - Amend Commodity Futures
Trading Commission Act

The Office of Legislative Affairs concurs with the Agencies
that the subject resolution should be signed.

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: April 16, 1975

Time: 200pm

FOR ACTION: Nike Duval
Max Friedersdorf
Ken Lazarus
Bill Seidman

cc (for information): Warren Hendriks
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: April 16

Time: 430pm

SUBJECT:

H.J. Res. 335 - Amend Commodity
Futures Trading Commission Act

ACTION REQUESTED:

- | | |
|-------------------------------------------------------|--------------------------------------------------------------|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: April 16, 1975

Time: 200pm

FOR ACTION: Mike Duval
Max Friedersdorf
Ken Lazarus
Bill Seidman

cc (for information): Warren Hendriks
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: April 16

Time: 430pm

SUBJECT:

H.J. Res. 335 - Amend Commodity
Futures Trading Commission Act

ACTION REQUESTED:

- | | |
|-------------------------------------------------------|--------------------------------------------------------------|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection. -- Ken Lazarus

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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R Warren K. Hendriks
E For the Staff Secy

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: April 16, 1975

Time: 200pm

FOR ACTION: Mike Duval
Max Friedersdorf
Ken Lazarus
Bill Seidman

cc (for information): Warren Hendriks
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FROM THE STAFF SECRETARY

DUE: Date: April 16

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SUBJECT:

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ACTION REQUESTED:

- | | |
|-------------------------------------------------------|--------------------------------------------------------------|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

*opened
JWS*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

R Warren H. Hendriks
E for the President

EXTENSION OF THE EFFECTIVE DATE OF THE COM- MODITY FUTURES TRADING COMMISSION ACT

APRIL 10, 1975.—Ordered to be printed

MR. TALMADGE, from the Committee on Agriculture and Forestry,
submitted the following

REPORT

[To accompany H.J. Res. 335]

The Committee on Agriculture and Forestry, to which was referred the joint resolution (H.J. Res. 335) to extend the effective date of certain provisions of the Commodity Futures Trading Commission Act of 1974, having considered the same, reports favorably thereon with an amendment and recommends that the joint resolution as amended do pass.

SHORT EXPLANATION

In the absence of new legislation, the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463) is scheduled to become fully operational on its effective date—April 21, 1975.

The principal feature of the new Act is the establishment of the Commodity Futures Trading Commission, a five-man independent regulatory commission consisting of a Chairman and four other Commissioners. The Commissioners are to be appointed by the President, by and with the advice and consent of the Senate.

H.J. Res. 335 would permit the orderly implementation of the 1974 Act by the new Commission by altering the effective date of certain major provisions of the Act.

The Commission would be authorized, under such terms and conditions as it may prescribe, to—

(1) Grant provisional designation as a contract market to any board of trade for commodities traded thereon for a period of time not to exceed 90 days from April 21, 1975. (Contract market designations previously made by the Secretary of Agriculture for presently regulated commodities would continue in effect until terminated, modified, or suspended by the new Commission.)

(2) Delay for a period of time not to exceed 90 days from April 21, 1975, the effective date of provisions in the 1974 Act requiring the Commission's approval of contract market bylaws and rules.

(3) Grant provisional registration to any futures commission merchant, floor broker, associated person, commodity trading advisor, or commodity pool operator for a period of time not to exceed 90 days from April 21, 1975. The Commission could delay for the same period of time the effective date of provisions in the 1974 Act requiring the registration of such persons.

The resolution also amends the 1974 Act to provide that the Commission will have nine months from April 21, 1975 (instead of six months), to determine whether trading by floor brokers and futures commission merchants for their own accounts and at the same time trading for their customers will be permitted.

The Commission will have 180 days from April 21, 1975, (instead of 90 days), to define bona fide hedging transactions or positions.

The new reparations procedure in the 1974 Act for handling customers' complaints will become effective 15 months (instead of one year) from April 21, 1975. However, customers' claims arising within one year immediately before such effective date (instead of nine months) could be heard by the Commission after the 15-month period.

COMMITTEE AMENDMENT

The Committee amendment strikes "and" and inserts after "210" on page 2, in line 18, the following: ", and 407".

The amendment would authorize the Commission to delay the effective date of section 407 of the 1974 Act for a period of time not to exceed 90 days from April 21, 1975.

BACKGROUND AND PURPOSE OF LEGISLATION

I.

The Commodity Futures Trading Commission Act of 1974—which was approved by the President on October 23, 1974—makes extensive changes in the Commodity Exchange Act, brings under Federal regulation all agricultural and other commodities, goods, and services traded on boards of trade, and otherwise strengthens the regulation of the Nation's \$500 billion commodity futures trading industry.

The changes made by the 1974 Act include the establishment of the Commodity Futures Trading Commission, consisting of a Chairman and four other Commissioners. The Act requires that the Commissioners be appointed by the President, by and with the advice and consent of the Senate.

In enacting the law, Congress provided that the Act was to become fully operational 180 days after enactment—or April 21, 1975.

However, the President's nominations of the first four Commissioners were not submitted to the Senate until March 18, 1975. The nominations were confirmed by the Senate on April 10, 1975. It is, therefore, apparent that some alteration must be made in the effective date of the 1974 Act if the law is to be implemented in an orderly and effective manner.

II.

There are certain things which the Commodity Futures Trading Commission cannot physically accomplish before April 21, 1975.

The Commission cannot review the operations, bylaws, and rules of the currently unregulated commodity markets in sufficient depth to determine whether such markets should be designated as contract markets under the Act. Moreover, the Commission cannot establish a reporting and market surveillance system for the currently unregulated markets and have it in effective operation by April 21, 1975. The designation of contract markets without proper review and the regulation of trading in new commodity futures without a proper reporting and surveillance system would not be in the public interest.

Another major area of concern is the registration of persons associated with futures commission merchants and of commodity trading advisors and commodity pool operators.

It is estimated that there are approximately 25,000 to 30,000 persons who will be required to register under the Act. The Commission could not within the brief period allotted to it prior to April 21, 1975, issue the necessary regulations, review the applications from such persons, make meaningful fitness checks, and issue the required registration.

It will not be possible for the Commission to approve all bylaws and rules of contract markets before April 21, 1975.

III.

The responsibilities vested in the new Commission are important and demanding, and it is obvious that the Commission's work will be especially taxing during the first year of its operation. It is, therefore, appropriate that the Commission be given additional time to complete its action on certain matters for which there are statutory deadlines.

Unless the 1974 Act is amended, the Commission would have six months from April 21, 1975, to determine whether floor brokers and futures commission merchants may be permitted to trade for their own accounts and, at the same time, trade for their customers.

There is a wide difference of opinion as to whether this type of dual trading should be permitted. Since it is a controversial matter and the Commission's decision could have a major impact on certain traders and on the markets, it appears desirable for the Commission to have additional time in which to make its determination.

Other responsibilities to be exercised by the Commission within the specified time limitations include the issuance of new hedging definitions and the institution of a new customers' reparations procedure. Again, it appears desirable that the Commission be afforded additional time to meet its responsibilities.

IV.

In short, H.J. Res. 335 would permit the Commission to take over from the Secretary of Agriculture the regulation of the currently regulated markets on April 21, 1975, and improve the regulation of these markets through the use of the more effective regulatory tools provided by the Commodity Futures Trading Commission Act of 1974. In addi-

tion, it would provide an orderly way in which new markets and new registrants could be brought under the provisions of the Act, and provide additional time for the Commission's consideration of some of the more complex provisions of the Act.

V.

It is the intent of the Committee that the provisions of the resolution be interpreted in such a manner as to enable the Commission to meet effectively its new responsibilities in the regulation of futures trading and transactions covered by section 217 of the 1974 Act.

There is no intent that the resolution unnecessarily delay the holding of hearings or the implementation of any regulation required by the 1974 Act or the Commodity Exchange Act, as amended.

There are, of course, substantive provisions of the Commodity Exchange Act, as amended, which will become applicable with respect to all affected persons on April 21, 1975, and it is incumbent that such persons conduct their business activities in a manner consistent with the requirements of the Act. For example, section 4b of the Commodity Exchange Act, as amended, will apply to all persons dealing in previously unregulated commodities. Section 4b makes it "unlawful . . . for any person, in or in connection with any order to make, or the making of, any contract of sale of any commodity for future delivery, made, or to be made, on or subject to the rules of any contract market, for or on behalf of any other person . . .

(A) to cheat or defraud or attempt to cheat or defraud such other person;

(B) willfully to make or cause to be made to such other person any false report or statement thereof, or willfully to enter or cause to be entered for such person any false record thereof;

(C) willfully to deceive or attempt to deceive such other person by any means whatsoever in regard to any such order or contract or the disposition or execution of any such order or contract, or in regard to any act of agency performed with respect to such order or contract for such person; or

(D) to bucket such order, or to fill such order by offset against the order or orders of any other person, or willfully and knowingly and without the prior consent of such person to become the buyer in respect to any selling order of such person, or become the seller in respect to any buying order of such person.

Violators of section 4b will be subject to the criminal penalties of section 9(c) of the Commodity Exchange Act, as amended, for any action occurring on or after April 21, 1975, regardless of the timing of additional regulatory action by the Commission.

VI.

As of April 21, 1975, any person who is acting as a "futures commission merchant" or "floor broker" solely in the presently unregulated commodities must cease doing business unless he is registered under

the Act. Further, if the Commission finds it in the public interest not to extend the effective dates of sections 204 and 205 of the 1974 Act, any person who is a "commodity trading advisor," "commodity pool operator", or an "associated person", as those terms are defined in the Act, must also cease doing business as of April 21, 1975, unless registered under the Act.

The purpose of provisional registration is to provide the Commission with an opportunity to give registration applications the review they require and, at the same time, permit applicants, pending the completion of that review, to continue to engage in the business for which they are seeking registration.

A person who is granted provisional registration under the Act must cease doing business immediately upon the expiration of the provisional registration period, unless he has been granted registration for a full period. In determining whether to register an applicant for a full period, the Commission may refuse to grant such registration for any of the reasons specified in section 8a(2) of the Commodity Exchange Act, as amended, and the Commission may do so "pending final determination" as provided in that section.

The resolution takes cognizance of the fact that the Commission will not be able to adopt procedural rules for registration in time to permit persons to file applications for registration before April 21, 1975. Section 1(c) provides, therefore, that the Commission may defer the effective dates of section 204 and 205 of the 1974 Act for such periods, as it finds in the public interest, not in excess of 90 days from April 21, 1975.

Likewise, the Commission will not be in a position to review and approve all the bylaws, rules, regulations and resolutions of the contract markets. Section 1(c) provides, therefore, that the Commission may delay the effective date of sections 210 and 407 of the 1974 Act for such periods, as it finds in the public interest, not in excess of 90 days from April 21, 1975. However, during the period of any such delay, the Committee does not intend to prohibit or impair contract markets from enforcing all of their bylaws, rules, regulations, and resolutions which have not been specifically disapproved by the Commission and which are consistent with the purposes of the Commodity Exchange Act, as amended. Nor will any such deferral period limit the authority of the Commission to require contract markets to submit such bylaws, rules, regulations, and resolutions as of April 21, 1975.

VII.

Except as specifically provided therein, the resolution is not intended in any way to make substantive changes in the 1974 Act and the Commodity Exchange Act, as amended.

Likewise, the resolution does not alter existing law with respect to the jurisdiction of States to enforce their criminal anti-fraud statutes. The Committee wishes to make clear that the preemption of the regulation of commodity futures trading by the Commodity Futures Trading Commission Act of 1974 does not prevent the States from enforcing their criminal anti-fraud statutes. The Committee realizes that many fraudulent schemes are devised to prey on the unsuspecting and un-

sophisticated investor. In many cases, these schemes purport to deal in commodities trading. The States are encouraged to continue to utilize their criminal anti-fraud statutes to discourage such schemes.

SECTION-BY-SECTION ANALYSIS

Section 1. Provisional designation of contract markets; provisional registration of futures commission merchants, floor brokers, associated persons, commodity trading advisors, and commodity pool operators.

Subsection (a) of section 1 provides that, notwithstanding any other provision of law and without prior notice or hearings, the Commodity Futures Trading Commission may—under such terms and conditions as the Commission may prescribe—grant provisional designation as a contract market to any board of trade (or commodity exchange) for any commodities traded thereon for such period not to exceed 90 days from April 21, 1975.

In specifying the terms and conditions of any such provisional designation, the Commission may require that the contract market enforce all of its bylaws, rules, regulations, and resolutions despite the fact that such bylaws, rules, regulations, and resolutions have not been approved by the Commission.

Upon the expiration of any such provisional designation, the board of trade (or commodity exchange) may not be designated as a contract market except as provided in section 6 of the Commodity Exchange Act, as amended, under regulations issued by the Commission.

Subsection (b) provides that, notwithstanding any other provision of law and without prior notice or hearings, the Commission may—under such terms and conditions as the Commission may prescribe—grant provisional registration to any futures commission merchant, floor broker, associated person, commodity trading advisor, or commodity pool operator for a period of time not to exceed 90 days from April 21, 1975.

Upon the expiration of any such provisional registration, an individual could only be registered upon satisfying all of the requirements of the Act and the regulations issued by the Commission.

Subsection (c) provides that the Commission may delay for a period of time not to exceed 90 days from April 21, 1975, the effective dates of sections 204, 205, 210, and 407 of the Commodity Futures Trading Commission Act of 1974.

Sections 204 and 205 require the registration of commodity trading advisors, commodity pool operators, and persons associated with futures commission merchants and handling customers' accounts.

Section 210 requires that contract markets submit for Commission approval bylaws, rules, regulations, and resolutions which relate to the terms and conditions of futures contracts or other trading requirements (except those relating to the setting of levels of margin).

Section 407 amends section 5a(8) of the Commodity Exchange Act, which now requires each contract market to enforce all bylaws, rules, regulations, and resolutions which relate to terms and conditions in contracts of sale to be executed on or subject to the rules of such contract market or relate to other trading requirements and which have

not been disapproved by the Secretary of Agriculture, and to revoke and not enforce any such bylaw, rule, regulation, or resolution which has been so disapproved.

Under section 407, each contract market would be required to enforce such bylaws, rules, regulations, and resolutions if they have been approved by the Commission, and would be required to revoke and not enforce any bylaw, rule, regulation, or resolution, which has been disapproved by the Commission.

Section 2. Dual trading

Section 2 amends section 203 of the 1974 Act to provide that the new Commission will have nine months from April 21, 1975—instead of six months—to determine whether trading by floor brokers and futures commission merchants for their own account and at the same trading for their customers will be permitted.

Section 3. Reparations procedure

Section 3 amends section 106 of the 1974 Act to provide that the new reparations procedure for handling customers' complaints will become effective 15 months—instead of one year—from April 21, 1975. However, customers' claims arising within one year immediately before such effective date—instead of nine months—could be heard by the Commission after the 15-month period.

Section 4. Definition of hedging

Section 4 amends section 404 of the 1974 Act to provide that the Commission will have 180 days from April 21, 1975—instead of 90 days—to define bona fide hedging transactions or positions.

DEPARTMENTAL VIEWS

The Committee has not received any report from the Administration on H.J. Res. 335. However, in a letter to the House Committee on Agriculture, dated April 7, 1975, the Secretary of Agriculture recommended the enactment of the resolution (as passed by the House) if amended to authorize the Commission to delay the effective date of section 407 of the 1974 Act for a period of time not to exceed 90 days from April 21, 1975. The letter from the Secretary reads as follows:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., April 7, 1975.

HON. THOMAS S. FOLEY,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR MR. CHAIRMAN: This is in response to your letter of March 24, 1975, for a report on House Joint Resolution 335 to extend the effective date of certain provisions of the Commodity Futures Trading Commission Act of 1974. Our report will be based upon this Joint Resolution as amended and approved by the Committee on Agriculture on March 26, 1975.

We recommend the approval of House Joint Resolution 335, as so amended and approved subject to a change suggested herein.

There are certain things that the Commodity Futures Trading Commission cannot physically accomplish between the confirmation of the

Commissioners and April 21, 1975, the effective date of the Commodity Futures Trading Commission Act of 1974.

The Commission cannot review the operations, bylaws, and rules of commodity exchanges seeking designation as contract markets in sufficient depth prior to April 21, 1975, to determine whether such markets should be designated. In addition, the Commission cannot review and process within the brief period allotted to it prior to April 21, 1975, the applications of an estimated 25,000 to 30,000 individuals and firms that are expected to apply for registration as futures commission merchants, floor brokers, associated persons, commodity trading advisors and commodity pool operators.

House Joint Resolution 335 would give the Commodity Futures Trading Commission the authority to issue provisional designations as contract markets for a period not to exceed 90 days from the effective date of the Commodity Futures Trading Commission Act, and to delay for the same period the effective date of the section of the Act requiring Commission approval of contract market bylaws and rules. The Joint Resolution would also give the Commission the authority to issue provisional registrations as futures commission merchants, floor brokers, associated persons, commodity trading advisors and commodity pool operators for a period not to exceed 90 days from the effective date of the Act. As an alternative to the provisional designation of associated persons, commodity trading advisors and commodity pool operators, the Commission is authorized to delay for the same period the effective date of the sections of the Act requiring registration of such persons. During the 90-day period in which the Commission could issue provisional designation or registration and/or delay the effective date of certain sections of the Act, the Commission would have sufficient time to determine whether the applicants met the designation or registration requirements of the Act.

Following such a review the Commission could issue, to those that qualify, the type of designation or registration originally contemplated by the statute.

We believe that the reference in section 1(c) of the amended bill to section 210 should be changed to refer to section 407 also since the latter section is the one which revokes the present requirement in section 5a(8) of the Commodity Exchange Act (7 U.S.C. 7a(8)) that a contract market enforce its bylaws, etc., which have not been disapproved under the Act and substitutes a requirement for enforcement of bylaws, etc., approved by the Commission.

In making this report, the Department is submitting its own views. It cannot speak for the Commodity Futures Trading Commission.

The passage of the Joint Resolution would not involve additional cost.

The Office of Management and Budget advises that there is no objection to the presentation of this report and that the passage of the Joint Resolution would be consistent with the Administration's objectives.

Sincerely,

EARL L. BUTZ,
Secretary.

COST ESTIMATE

In accordance with section 252 of the Legislative Reorganization Act of 1970, the Committee estimates that no additional costs would be incurred by the Federal Government as the result of the enactment of H.J. Res. 335.

This estimate of costs is the same as the estimate furnished by the Department of Agriculture.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the resolution are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

COMMODITY FUTURES TRADING COMMISSION ACT OF 1974

* * * * *

SEC. 106. The Commodity Exchange Act, as amended, is amended by adding at the end thereof the following new section :

"SEC. 14. (a) Any person complaining of any violation of any provision of this Act or any rule, regulation, or order thereunder by any person registered under section 4d, 4e, 4k, or 4m of this Act may, at any time within two years after the cause of action accrues, apply to the Commission by petition, which shall briefly state the facts, whereupon, if, in the opinion of the Commission, the facts therein contained warrant such action, a copy of the complaint thus made shall be forwarded by the Commission to the respondent, who shall be called upon to satisfy the complaint, or to answer it in writing, within a reasonable time to be prescribed by the Commission.

"(b) If there appear to be, in the opinion of the Commission, any reasonable grounds for investigating any complaint made under this section, the Commission shall investigate such complaint and may, if in its opinion the facts warrant such action, have said complaint served by registered mail or by certified mail or otherwise on the respondent and afford such person an opportunity for a hearing thereon before an Administrative Law Judge designated by the Commission in any place in which the said person is engaged in business: *Provided*, That in complaints wherein the amount claimed as damages does not exceed the sum of \$2,500, a hearing need not be held and proof in support of the complaint and in support of the respondent's answer may be supplied in the form of depositions or verified statements of fact.

"(c) After opportunity for hearing on complaints where the damages claimed exceed the sum of \$2,500 has been provided or waived and on complaints where damages claimed do not exceed the sum of \$2,500 not requiring hearing as provided herein, the Commission shall determine whether or not the respondent has violated any provision of this Act or any rule, regulation, or order thereunder.

"(d) In case a complaint is made by a nonresident of the United States, the complainant shall be required, before any formal action

is taken on his complaint, to furnish a bond in double the amount of the claim conditioned upon the payment of costs, including a reasonable attorney's fee for the respondent if the respondent shall prevail, and any reparation award that may be issued by the Commission against the complainant on any counterclaim by respondent: *Provided*, That the Commission shall have authority to waive the furnishing of a bond by a complainant who is a resident of a country which permits the filing of a complaint by a resident of the United States without the furnishing of a bond.

"(e) If after a hearing on a complaint made by any person under subsection (a) of this section, or without hearing as provided in subsections (b) and (c) of this section, or upon failure of the party complained against to answer a complaint duly served within the time prescribed, or to appear at a hearing after being duly notified, the Commission determines that the respondent has violated any provision of this Act, or any rule, regulation, or order thereunder, the Commission shall, unless the offender has already made reparation to the person complaining, determine the amount of damage, if any, to which such person is entitled as a result of such violation and shall make an order directing the offender to pay to such person complaining such amount on or before the date fixed in the order. If, after the respondent has filed his answer to the complaint, it appears therein that the respondent has admitted liability for a portion of the amount claimed in the complaint as damages, the Commission under such rules and regulations as it shall prescribe, unless the respondent has already made reparation to the person complaining, may issue an order directing the respondent to pay to the complainant the undisputed amount on or before the date fixed in the order, leaving the respondent's liability for the disputed amount for subsequent determination. The remaining disputed amount shall be determined in the same manner and under the same procedure as it would have been determined if no order had been issued by the Commission with respect to the undisputed sum.

"(f) If any person against whom an award has been made does not pay the reparation award within the time specified in the Commission's order, the complainant, or any person for whose benefit such order was made, within three years of the date of the order, may file a certified copy of the order of the Commission, in the district court of the United States for the district in which he resides or in which is located the principal place of business of the respondent, for enforcement of such reparation award by appropriate orders. The orders, writs, and processes of such district court may in such case run, be served, and be returnable anywhere in the United States. The petitioner shall not be liable for costs in the district court, nor for costs at any subsequent state of the proceedings, unless they accrue upon his appeal. If the petitioner finally prevails, he shall be allowed a reasonable attorney's fee, to be taxed and collected as a part of the costs of the suit. Subject to the right of appeal under subsection (g) of this section, an order of the Commission awarding reparations shall be final and conclusive.

"(g) Any order of the Commission entered hereunder shall be reviewable on petition of any party aggrieved thereby, by the United States Court of Appeals for any circuit in which a hearing was

held, or if no hearing was held, any circuit in which the appellee is located, under the procedure provided in paragraph (b) of section 6 of this Act. Such appeal shall not be effective unless within 30 days from and after the date of the reparation order the appellant also files with the clerk of the court a bond in double the amount of the reparation awarded against the appellant conditioned upon the payment of the judgment entered by the court, plus interest and costs, including a reasonable attorney's fee for the appellee, if the appellee shall prevail. Such bond shall be in the form of cash, negotiable securities having a market value at least equivalent to the amount of bond prescribed, or the undertaking of a surety company on the approved list of sureties issued by the Treasury Department of the United States. The appellee shall not be liable for costs in said court. If the appellee prevails, he shall be allowed a reasonable attorney's fee to be taxed and collected as a part of his costs.

"(h) Unless the registrant against whom a reparation order has been issued shows to the satisfaction of the Commission within fifteen days from the expiration of the period allowed for compliance with such order that he has either taken an appeal as herein authorized or has made payment in full as required by such order, he shall be prohibited from trading on all contract markets and his registration shall be suspended automatically at the expiration of such fifteen-day period until he shows to the satisfaction of the Commission that he has paid the amount therein specified with interest thereon to date of payment: *Provided*, That if on appeal the appellee prevails or if the appeal is dismissed the automatic prohibition against trading and suspension of registration shall become effective at the expiration of thirty days from the date of judgment on the appeal, but if the judgment is stayed by a court of competent jurisdiction the suspension shall become effective ten days after the expiration of such stay, unless prior thereto the judgment of the court has been satisfied.

"(i) The provisions of this section shall not become effective until [one year] *fifteen months* after the date of its enactment: *Provided*, That claims which arise within [nine months] *one year* immediately prior to the effective date of this section may be heard by the Commission after such [one year] *fifteen-month* period."

* * * * *

SEC. 203. The Commodity Exchange Act, as amended, is amended by inserting after section 4i (7 U.S.C. 6i), the following new section:

"SEC. 4j. (1) The Commission shall within [six months] *nine months* after the effective date of the Commodity Futures Trading Commission Act of 1974, and subsequently when it determines that changes are required, make a determination, after notice and opportunity for hearing, whether or not a floor broker may trade for his own account or any account in which such broker has trading discretion, and also execute a customer's order for future delivery and, if the Commission determines that such trades and such executions shall be permitted, the Commission shall further determine the terms, conditions, and circumstances under which such trades and such executions shall be conducted: *Provided*, That any such determination shall, at a minimum, take into account the effect upon the liquidity of trading of each market: *And provided further*, That nothing herein shall be con-

strued to prohibit the Commission from making separate determinations for different contract markets when such are warranted in the judgment of the Commission, or to prohibit contract markets from setting terms and conditions more restrictive than those set by the Commission.

"(2) The Commission shall within [six months] *nine months* after the effective date of the Commodity Futures Trading Commission Act of 1974, and subsequently when it determines that changes are required, make a determination, after notice and opportunity for hearing, whether or not a futures commission merchant may trade for its own account or any proprietary account, as defined by the Commission, and if the Commission determines that such trades shall be permitted, the Commission shall further determine the terms, conditions, and circumstances under which such trades shall be conducted: *Provided*, That any such determination, at a minimum, shall take into account the effect upon the liquidity of trading of each market: *And provided further*, That nothing herein shall be construed to prohibit the Commission from making separate determinations for different contract markets when such are warranted in the judgment of the Commission, or to prohibit contract markets from setting terms and conditions more restrictive than those set by the Commission."

(Note: For effect on the following section, see section 1 of H.J. Res. 335 printed below.)

SEC. 204. (a) The Commodity Exchange Act, as amended, is amended by adding the following new section:

"SEC. 4k. (1) It shall be unlawful for any person to be associated with any futures commission merchant or with any agent of a futures commission merchant as a partner, officer, or employee (or any person occupying a similar status or performing similar functions), in any capacity which involves (i) the solicitation or acceptance of customers' orders (other than in a clerical capacity) or (ii) the supervision of any person or persons so engaged, unless such person shall have registered, under this Act, with the Commission and such registration shall not have expired nor been suspended (and the period of suspension has not expired) or revoked, and it shall be unlawful for any futures commission merchant or any agent of a futures commission merchant to permit such a person to become or remain associated with him in any such capacity if such futures commission merchant or agent knew or should have known that such person was not so registered or that such registration had expired, been suspended (and the period of suspension has not expired) or revoked: *Provided*, That any individual who is registered as a floor broker or futures commission merchant (and such registration is not suspended or revoked) need not also register under these provisions.

"(2) Any such person desiring to be registered shall make application to the Commission in the form and manner prescribed by the Commission, giving such information and facts as the Commission may deem necessary concerning the applicant. Such person, when registered hereunder, shall likewise continue to report and furnish to the Commission such information as the Commission may require. Such registration shall expire 2 years after the effective date thereof, and shall be renewed upon application therefor unless the registration

has been suspended (and the period of such suspension has not expired) or revoked after notice and hearing as prescribed in section 6(b) of this Act: *Provided*, That upon initial registration, the effective period of such registration shall be set by the Commission, not to exceed two years from the effective date thereof and not to be less than one year from the effective date thereof."

(b) Section 6(b) of the Commodity Exchange Act, as amended (7 U.S.C. 9), is amended by inserting after the words "futures commission merchant" each time those words appear, the following: "or any person associated therewith as described in section 4k of this Act,".

(c) Section 8(a)(1) of the Commodity Exchange Act, as amended (7 U.S.C. 12a(1)), is amended by inserting after the words "futures commission merchants" the following: "and persons associated therewith as described in section 4k of this Act,".

(Note: For effect on the following section, see section 1 of H.J. Res. 335 printed below.)

SEC. 205. (a) The Commodity Exchange Act, as amended, is amended by adding the following new sections:

"SEC. 4l. It is hereby found that the activities of commodity trading advisors and commodity pool operators are affected with a national public interest in that, among other things—

"(1) their advice, counsel, publications, writings, analyses, and reports are furnished and distributed, and their contracts, solicitations, subscriptions, agreements, and other arrangements with clients take place and are negotiated and performed by the use of the mails and other means and instrumentalities of interstate commerce;

"(2) their advice, counsel, publications, writings, analyses, and reports customarily relate to and their operations are directed toward and cause the purchase and sale of commodities for future delivery on or subject to the rules of contract markets; and

"(3) the foregoing transactions occur in such volume as to affect substantially transactions on contract markets.

"SEC. 4m. It shall be unlawful for any commodity trading advisor or commodity pool operator, unless registered under this Act, to make use of the mails or any means or instrumentality of interstate commerce in connection with his business as such commodity trading advisor or commodity pool operator: *Provided*, That the provisions of this section shall not apply to any commodity trading advisor who, during the course of the preceding twelve months, has not furnished commodity trading advice to more than fifteen persons and who does not hold himself out generally to the public as a commodity trading advisor.

"SEC. 4n. (1) Any commodity trading advisor or commodity pool operator, or any person who contemplates becoming a commodity trading advisor or commodity pool operator, may register under this Act by filing an application with the Commission. Such application shall contain such information, in such form and detail, as the Commission may, by rules and regulations, prescribe as necessary or appropriate in the public interest, including the following:

"(A) the name and form of organization, including capital structure, under which the applicant engages or intends to engage

in business; the name of the State under the laws of which he is organized; the location of his principal business office and branch offices, if any; the names and addresses of all partners, officers, directors, and persons performing similar functions or, if the applicant be an individual, of such individual; and the number of employees;

“(B) the education, the business affiliations for the past ten years, and the present business affiliations of the applicant and of his partners, officers, directors, and persons performing similar functions and of any controlling person thereof;

“(C) the nature of the business of the applicant, including the manner of giving advice and rendering of analyses or reports;

“(D) the nature and scope of the authority of the applicant with respect to clients' funds and accounts;

“(E) the basis upon which the applicant is or will be compensated; and

“(F) such other information as the Commission may require to determine whether the applicant is qualified for registration.

“(2) Except as hereinafter provided, such registration shall become effective thirty days after the receipt of such application by the Commission, or within such shorter period of time as the Commission may determine.

“(3) All registrations under this section shall expire on the 30th day of June of each year, and shall be renewed upon application therefor subject to the same requirements as in the case of an original application.

“(4) (A) Every commodity trading advisor and commodity pool operator registered under this Act shall maintain books and records and file such reports in such form and manner as may be prescribed by the Commission. All such books and records shall be kept for a period of at least three years, or longer if the Commission so directs, and shall be open to inspection by any representative of the Commission or the Department of Justice. Upon the request of the Commission, a registered commodity trading advisor or commodity pool operator shall furnish the name and address of each client, subscriber, or participant, and submit samples or copies of all reports, letters, circulars, memorandums, publications, writings, or other literature or advice distributed to clients, subscribers, or participants, or prospective clients, subscribers, or participants.

“(B) Unless otherwise authorized by the Commission by rule or regulation, all commodity trading advisors and commodity pool operators shall make a full and complete disclosure to their subscribers, clients, or participants of all futures market positions taken or held by the individual principals of their organization.

“(5) Every commodity pool operator shall regularly furnish statements of account to each participant in his operations. Such statements shall be in such form and manner as may be prescribed by the Commission and shall include complete information as to the current status of all trading accounts in which such participant has an interest.

“(6) The Commission is authorized, without hearing, to deny registration to any person as a commodity trading advisor or commodity pool operator if such person is subject to an outstanding order under this Act denying to such person trading privileges on any contract

market, or suspending or revoking the registration of such person as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or suspending or expelling such person from membership on any contract market.

“(7) The Commission after hearing may by order deny registration, revoke or suspend the registration of any commodity trading advisor or commodity pool operator if the Commission finds that such denial, revocation, or suspension is in the public interest and that—

“(A) the operations of such person disrupt or tend to disrupt orderly marketing conditions, or cause or tend to cause sudden or unreasonable fluctuations or unwarranted changes in the prices of commodities;

“(B) such commodity trading advisor or commodity pool operator, or any partner, officer, director, person performing similar function or controlling person thereof—

“(i) has within ten years of the issuance of such order been convicted of any felony or misdemeanor involving the purchase or sale of any commodity or security, or arising out of any conduct or practice of such commodity trading advisor of commodity pool operator or affiliated person as a commodity trading advisor or commodity pool operator; or

“(ii) at the time of the issuance of such order, is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction from acting as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or as an affiliated person or employee of any of the foregoing, or from engaging in or continuing any conduct or practice in connection with any such activity or in connection with the purchase or sale of commodities or securities; or

“(C) any partner, officer, or director of such commodity trading advisor or commodity pool operator, or any person performing a similar function or any controlling person thereof is subject to an outstanding order of the Commission denying trading privileges on any contract market to such person, or suspending or revoking the registration of such person as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or suspending or expelling such person from membership on any contract market.

“SEC. 40. (1) It shall be unlawful for any commodity trading advisor or commodity pool operator registered under this Act, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly—

“(A) to employ any device, scheme, or artifice to defraud any client or participant or prospective client or participant; or

“(B) to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or participant or prospective client or participant.

“(2) It shall be unlawful for any commodity trading advisor or commodity pool operator registered under this Act to represent or imply in any manner whatsoever that he has been sponsored, recommended, or approved, or that his abilities or qualifications have in any respect been passed upon by the United States or any agency or

officer thereof: *Provided*, That this section shall not be construed to prohibit a statement that a person is registered under this Act as a commodity trading advisor or commodity pool operator, if such statement is true in fact and if the effect of such registration is not misrepresented."

(b) Section 6(b) of the Commodity Exchange Act, as amended (7 U.S.C. 9), is amended by inserting immediately before the words "or as floor broker" each time those words appear, the following: "commodity trading advisor, commodity pool operator,".

(c) Section 8a(1) of the Commodity Exchange Act, as amended (7 U.S.C. 12a(1)), is amended by inserting immediately before the words "and floor brokers" the following: "commodity trading advisors, commodity pool operators,".

* * * * *
(Note: For effect on the following section, section 1 of H.J. Res. 335 printed below.)

SEC. 210. Section 5a of the Commodity Exchange Act, as amended (7 U.S.C. 7a), is amended by inserting the following new subsection (12) as follows:

"(12) except as otherwise provided in this subsection, submit to the Commission for its approval all bylaws, rules, regulations, and resolutions made or issued by such contract market, or by the governing board thereof or any committee thereof which relate to terms and conditions in contracts of sale to be executed on or subject to the rules of such contract market or relate to other trading requirements except those relating to the setting of levels of margin. The Commission shall approve, within thirty days of their receipt unless the Commission notifies the contract market of its inability to make such determination within such period of time, such bylaws, rules, regulations, and resolutions upon a determination that such bylaws, rules, regulations, and resolutions are not in violation of the provisions of this Act or the regulations of the Commission and thereafter the Commission shall disapprove, after appropriate notice and opportunity for hearing, any bylaw, rule, regulation, or resolution which the Commission finds at any time is in violation of the provisions of this Act or the regulations of the Commission. The Commission shall specify the terms and conditions under which a contract market may, in an emergency, as defined by the Commission, adopt a temporary rule dealing with trading requirements without prior Commission approval. In the event of such an emergency, as defined by the Commission, requiring immediate action, the contract market by a two-thirds vote of its governing board may place into immediate effect without prior Commission approval a temporary rule dealing with such emergency if it notifies the Commission of such action with a complete explanation of the emergency involved. The Commission may adopt a regulation exempting enumerated types of contract market operational and administrative rules from the requirement that they be submitted to the Commission for its approval."

* * * * *
SEC. 404. Section 4a(3) of the Commodity Exchange Act, as amended (7 U.S.C. 6a), is amended by deleting the period at the end

of the first sentence and adding "as such terms shall be defined by the Commission within [ninety days] *one hundred and eighty days* after the effective date of the Commodity Futures Trading Commission Act of 1974 by order consistent with the purposes of this Act"; and by deleting effective immediately on enactment of this Act, the remainder of paragraph (3): *Provided*, That notwithstanding any other provision of law, the Secretary of Agriculture, immediately upon the enactment of the Commodity Futures Trading Commission Act of 1974, is authorized and directed to promulgate regulations defining bona fide hedging transactions and positions: *And provided further*, That until the Secretary issues such regulations defining bona fide hedging transactions and positions and such regulations are in full force and effect, such terms shall continue to be defined as set forth in the Commodity Exchange Act prior to its amendment by the Commodity Futures Trading Commission Act of 1974.

* * * * *
(Note: Section 407 below revokes the present requirement in the Commodity Exchange Act that a contract market enforce all of its trading bylaws, rules, regulations, and resolutions which have not been disapproved under the Act and substitutes a requirement for enforcement of such items which have been approved by the Commission. For effect on this section, see section 1 of H.J. Res. 335 printed below.)

SEC. 407. Section 5a(8) of the Commodity Exchange Act, as amended (7 U.S.C. 7a), is amended—

(a) By deleting the words "not been disapproved by the Secretary of Agriculture pursuant to paragraph (7) of section 8a and inserting in lieu thereof the words "been approved by the Commission pursuant to paragraph (12) of section 5a".

(b) By deleting the word "so", and inserting the words "by the Commission" immediately below the semicolon at the end of such subsection.

* * * * *
(Note: For effect on the following section, see section 1 of H.J. Res. 335 printed below.)

SEC. 418. (a) Except as otherwise provided specifically in this Act, the effective date of this Act shall be the 180th day after enactment. The Commission referred to in section 101 is hereby established effective immediately on enactment of this Act. Sections 102 and 410 shall be effective immediately on enactment of this Act. Activities necessary to implement the changes effected by this Act may be carried out after the date of enactment and before as well as after the 180th day thereafter. Activities to be carried out after the date of enactment and before the 180th day thereafter may include, but are not limited to the following: designation of boards of trade as contract markets, registration of futures commission merchants, floor brokers, and other persons required to be registered under the Act, approval or modification of bylaws, rules, regulations, and resolutions of contract markets, and issuance of regulations, effective on or after the 180th day after enactment; appointment and compensation of the members of the Commission; hiring and compensation of staff; and conducting of investigations and hearings. Nothing in this Act shall limit the authority of the Secretary of Agriculture or the Commodity Exchange Commission under the Commodity Exchange Act, as amended, prior to the 180th day after enactment of this Act.

(b) Funds appropriated for the administration of the Commodity Exchange Act, as amended, may be used to implement this Act immediately after the date of enactment of this Act.

H.J. RES. 335 AS AMENDED BY THE COMMITTEE ON AGRICULTURE AND FORESTRY

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law or of the Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.), the Commodity Futures Trading Commission established in section 2(a) of the Commodity Exchange Act, as amended, in its discretion, and without prior notice or hearings:

(a) may grant provisional designation as a contract market to any boards of trade for any commodities traded thereon for such period not in excess of ninety days from the effective date of the Commodity Futures Trading Commission Act of 1974 and under such terms and conditions as the Commission may prescribe: *Provided*, That upon the expiration of any provisional designation of a board of trade as a contract market, such board of trade shall not be designated as a contract market except as provided in section 6 of the Commodity Exchange Act, as amended;

(b) may grant provisional registration as a futures commission merchant, floor broker, associated person, commodity trading adviser, and commodity pool operator to any person for such period not in excess of ninety days from the effective date of the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463) and under such terms and conditions as the Commission may prescribe; and

(c) may defer for such period not in excess of ninety days from the effective date of the Act, the effective dates of sections 204, 205, [and] 210, and 407 of the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463).

SEC. 2. Section 203 of the Commodity Futures Trading Commission Act of 1974 is amended by striking the phrase "six months" wherever it appears therein and substituting therefor the phrase "nine months".

SEC. 3. Section 106 of the Commodity Futures Trading Commission Act of 1974 is amended by striking the phrase "one year" wherever it appears in the last paragraph thereof (subsection (i) of new section 14 of the Commodity Exchange Act, as amended) and substituting therefor the phrase "fifteen months" and by striking the phrase "nine months" in the last paragraph thereof (subsection (i) of the new section 14 of the Commodity Exchange Act, as amended) and substituting therefor the phrase "one year".

SEC. 4. Section 404 of the Commodity Futures Trading Commission Act of 1974 is amended by striking the phrase "ninety days" wherever it appears therein and substituting therefor the phrase "one hundred and eighty days".

COMMODITY FUTURES TRADING COMMISSION ACT EXTENSION

APRIL 7, 1975.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. FOLEY, from the Committee on Agriculture,
submitted the following

REPORT

[To accompany H.J. Res. 335]

The Committee on Agriculture, to whom was referred the Joint Resolution 335, to extend the effective date of certain provisions of the Commodity Futures Trading Commission Act of 1974, having considered the same, report favorably thereon with an amendment and recommend that the joint resolution as amended do pass.

The amendment is as follows:

Strike all after the enacting clause, and insert in lieu thereof the following:

That notwithstanding any other provision of law or of the Commodity Exchange Act, as amended (7 U.S.C. sec. 1 et seq.), the Commodity Futures Trading Commission established in Section 2(a) of the Commodity Exchange Act, as amended, in its discretion, and without prior notice or hearings:

(a) may grant provisional designation as a contract market to any boards of trade for any commodities traded thereon for such period not in excess of 90 days from the effective date of the Commodity Futures Trading Commission Act of 1974 and under such terms and conditions as the Commission may prescribe: *Provided*, That upon the expiration of any provisional designation of a board of trade as a contract market, such board of trade shall not be designated as a contract market except as provided in Section 6 of the Commodity Exchange Act, as amended;

(b) may grant provisional registration as a futures commission merchant, floor broker, associated person, commodity trading advisor and commodity pool operator to any person for such period not in excess of 90 days from the effective date of the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463) and under such terms and conditions as the Commission may prescribe; and

(c) may defer for such period not in excess of 90 days from the effective date of the Act, the effective dates of Sections 204, 205 and 210 of the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463).

Sec. 2. Section 203 of the Commodity Futures Trading Commission Act of 1974 is amended by striking the phrase "six months" wherever it appears therein and substituting therefor the phrase "nine months".

Sec. 3. Section 106 of the Commodity Futures Trading Commission Act of 1974 is amended by striking the phrase "one year" wherever it appears in the last paragraph thereof (subsection (1) of new section 14 of the Commodity Exchange Act, as amended) and substituting therefor the phrase "fifteen months" and by striking the phrase "nine months" in the last paragraph thereof (subsection (1) of the new section 14 of the Commodity Exchange Act, as amended) and substituting therefor the phrase "one year".

Sec. 4. Section 404 of the Commodity Futures Trading Commission Act of 1974 is amended by striking the phrase "ninety days" wherever it appears therein and substituting therefor the phrase "one hundred eighty days."

PURPOSE

H. J. Res. 335, as amended, provides authority to the Commodity Futures Trading Commission created by Public Law 93-463 to:

(1) Grant provisional designation to boards of trade and other exchanges as a "contract market" under the Commodity Exchange Act, as amended (7 U.S.C. Sec. 1 et. seq.) for a period not in excess of 90 days from the date of enactment of the Commodity Futures Trading Commission Act (April 21),

(2) Grant provisional registration as a futures commission merchant, floor broker, associated person, commodity trading advisor, a commodity pool operator to any person for a period not in excess of 90 days from April 21, under such terms and conditions as the Commission may prescribe. At the expiration of the provisional designation or registration, each individual or contract market could only be registered or designated by meeting all requirements of the CFTC Act and the regulations promulgated by the Commission under the Act, de novo.

The resolution also grants authority to the Commission to defer for a period not in excess of 90 days from the effective date of the Act (April 21) the effective dates of Sections 204, 205 and 210 of the Commodity Futures Trading Commission Act.

The following is a descriptive (without legal significance) interpretation of those sections:

Section 204 adds a new section to the Act requiring registration of persons associated with any futures commission merchant (or with any agent of a futures commission merchant) as a partner, officer, or employee (or any person occupying a similar status or performing similar functions), in any capacity which involves "(1) the solicitation or acceptance of customers' orders (other than in a clerical capacity) or (ii) the supervision of any person or persons so engaged." The Commission would be authorized to require reporting by such persons. Such registration would expire two years after the effective date thereof, and the Commission would be required to renew it on application unless the registrant is under suspension or revocation. With respect to initial registrations, however, the Commission would be required to set the effective period, not to be more than two years or less than one year from the effective date thereof.

Persons registered as futures commission merchants or floor brokers would not be required to register as such associates.

Section 204 amends section 6(b) and section 8a of the Act to provide that such associates shall be subject to administrative disciplinary proceedings provided for in those sections of the Act.

Section 205 amends the Act by adding four new sections.

New section 4l constitutes a finding that the activities of commodity trading advisors and commodity pool operators are affected with a national public interest in that, among other things—

(1) their advice, counsel, publications, writings, analyses, and reports are furnished and distributed, and their contracts, solicitations, subscriptions, agreements, and other arrangements with clients take place and are negotiated and performed by the use of the mails and other means and instrumentalities of interstate commerce;

(2) their advice, counsel, publications, writings, analyses, and reports customarily relate to and their operations are directed toward and cause the purchase and sale of commodities for future delivery on or subject to the rules of contract markets; and

(3) the foregoing transactions occur in such volume as substantially to affect transactions on contract markets.

New section 4m requires registration by such persons, but would not apply to any commodity trading advisor who, during the course of the preceding 12 months, has not furnished commodity trading advice to more than 15 persons and who does not hold himself out generally to the public as a commodity trading advisor.

New section 4n authorizes the Commission to prescribe what information, and in what form and detail, such persons would have to supply in applying for the required registration. The section would specify the minimum information to be required as follows:

(A) the name and form of organization, including capital structure, under which the applicant engages or intends to engage in business; the name of the State under the laws of which he is organized; the location of his principal business office and branch offices if any; the names and addresses of all "partners, officers, directors, and persons performing similar functions" or, if the applicant be an individual, his name and address; and the number of employees;

(B) the education, the business affiliations for the past ten years and the present business affiliations of the applicant and of his partners, officers, directors, and persons performing similar functions and of any controlling person thereof;

(C) the nature of the business of the applicant, including the manner of giving advice and rendering of analyses or reports;

(D) the nature and scope of the authority of the applicant with respect to clients' funds and accounts;

(E) the basis upon which the applicant is compensated.

Registration would be required to become effective no more than 30 days after application, unless denied as provided elsewhere in the Act.

New section 4n also provides that registrations of commodity trading advisors and commodity pool operators would expire on the 30th day of June of each year, and shall be renewed upon application therefor subject to the same requirements as in the case of an original application.

The Commission is authorized to prescribe recordkeeping and reporting requirements for such persons, who would be required to keep the prescribed books and records for at least three years or longer if the Commission so directs. The prescribed books and records would

be required to be open to inspection by any representative of the Commission or the Department of Justice. On request of the Commission, a registered commodity trading advisor or commodity pool operator would be required to furnish the name and address of each client, subscriber, or participant, and submit samples or copies of all reports, letters, circulars, memoranda, publications, writings, or other literature or advice distributed to clients, subscribers, or participants, or prospective clients, subscribers, or participants.

Futures market positions taken or held by individual principals of commodity trading advisors and commodity pool operators would be required to be fully and completely disclosed to subscribers, clients, or participants, unless otherwise authorized by the Commission by rule or regulation.

Statements of account would be required to be furnished regularly to each participant in the operations of every commodity pool operator. Such statements would be required to include complete information as to the current status of all trading accounts in which the participant has an interest. The Commission would be empowered to prescribe the form and manner of such statements.

Denial, without hearing, of registration as a commodity trading advisor or commodity pool operator would be authorized for any person who is subject to an outstanding order under the Act denying him trading privileges on any contract market, or suspending or revoking his registration as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or suspending or expelling him from membership on any contract market.

Denial, revocation, or suspension, after hearing, of registration of any commodity trading advisor or commodity pool operator, would be authorized if the Commission finds that such denial, revocation, or suspension is in the public interest and that—

(A) the operations of such person disrupt or tend to disrupt orderly marketing conditions, or cause or tend to cause sudden or unreasonable fluctuations or unwarranted changes in the prices of commodities;

(B) such person (or any partner, officer, director, person performing similar function, or controlling person thereof)—(i) has been convicted within ten years of any felony or misdemeanor involving the purchase or sale of any commodity or security, or arising out of his conduct as a commodity trading advisor or commodity pool operator; or (ii) is under court injunction from acting as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or affiliated person or employee of any of them, or from engaging in or continuing any conduct or practice in connection with such activity or in connection with the purchase or sale of commodities or securities; or

(C) any partner, officer, or director of such person, or any person performing a similar function or any controlling person thereof, is subject to a Commission denial of trading privileges on any contract market, or a Commission suspension or revocation of registration as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or a Commission suspension or expulsion from membership on any contract market.

New section 40 forbids registrants as commodity trading advisors or as commodity pool operators, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, from employing any device, scheme, or artifice to defraud any client or participant or prospective client or participant, or engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or participant or prospective client or participant. Such registrants would also be forbidden to represent or imply that they have been sponsored, recommended, or approved, or that their abilities or qualifications have been passed upon, by the United States or any agency or officer thereof, but would be permitted to state that they are registered under the Act as a commodity trading advisor or commodity pool operator, if such statement is true in fact and if the effect of such registration is not misrepresented.

Section 205 amends section 6(b) of the Act, specifically to provide that administrative disciplinary proceedings could be instituted and administrative disciplinary orders issued, against persons registered as commodity trading advisors and commodity pool operators. Section 6(b) of the Act provides for such proceedings and orders for manipulation or attempt to manipulate the market price of any commodity, in interstate commerce, or for future delivery on or subject to the rules of any contract market, or for willfully making any false or misleading statement of a material fact in any registration application or any report filed under the Act, or for willfully omitting to state in any such application or report any material fact which is required to be stated therein, or for otherwise violating any of the provisions of the Act or of the rules, regulations, or orders thereunder.

Section 205 amends section 8a of the Act to make it apply to commodity trading advisors and commodity pool operators. Section 8a of the Act authorizes registration of futures commission merchants and floor brokers upon application in accordance with rules and regulations and in form and manner to be prescribed by regulation. Section 8a also authorizes the refusal to register any person—

(A) if the prior registration of such person is under suspension or revocation;

(B) if it is found, after opportunity for hearing, that the applicant is unfit to engage in the business for which the application for registration is made, (i) because such applicant, or, if the applicant is a partnership, any general partner, or, if the applicant is a corporation, any officer or holder of more than ten per centum of the stock, at any time engaged in any practice of the character prohibited by the Act or was convicted of a felony in any State or Federal court, or was debarred by any agency of the United States from contracting with the United States, or the applicant willfully made any material false or misleading statement in his application or willfully omitted to state any material fact in connection with the application, or (ii) for other good cause shown.

Section 8a further provides for suspension or revocation of the registration of any person registered under the Act if cause exists under (B) above which would warrant a refusal of registration of such person.

Section 210 amends section 5a of the Act by adding a new subsection (12) requiring each contract market to submit to the Commission for its prior approval before issuing or placing into effect all bylaws, rules, regulations, and resolutions made or issued by it, or by the governing board thereof or any committee thereof, which relate to terms and conditions in contracts of sale to be executed on or subject to the rules of such contract market or relate to other trading requirements, except those relating to the setting of levels of margin.

The Commission would have 30 days either to approve such bylaws, rules, regulations, and resolutions or to notify the contract market that it is unable to make the necessary determination within 30 days.

The Commission would be required to approve such bylaws, rules, regulations, and resolutions upon a determination that they are not in violation of the provisions of the Act or the regulations of the Commission. Thereafter, the Commission would be required to disapprove, after appropriate notice and opportunity for hearing, any by-law, rule, regulation, or resolution which the Commission finds at any time is in violation of the provisions of the Act or the regulations of the Commission.

A contract market would be empowered to issue without prior Commission approval a rule dealing with an emergency requiring immediate action, with notice and a complete explanation to the Commission. The Commission shall specify the terms and conditions under which a contract market may, in an emergency, adopt a temporary rule dealing with trading requirements without prior Commission approval.

Regulations would be authorized exempting enumerated types of contract market operational and administrative rules from the submission requirement.

Section 2 of the resolution defers for 90 days certain other requirements of the Act in Sections 203, 106, and 404. Section 203 now adds a new section 4j which requires the Commission to determine within 6 months (after notice and opportunity for hearing) whether a floor broker may trade for his own account or any account in which he has trading discretion, and also execute a customer's order. Section 4j also requires a similar study affecting futures commission merchants who trade their own accounts or a proprietary account.

Section 106 adds a new section 14 to the Commodity Exchange Act for reparation proceedings before the Commission. As the section now reads, it will become effective one year after enactment, but claims arising within nine months before the effective date of section 106 could be heard by the Commission after such one-year period.

Section 404 amends Section 4a (3) to provide authority to the Commission to define "bona fide hedging transactions or positions" by order. As the section now reads, such definition is to be issued within 90 days of the effective date of the Act.

NEED FOR THE LEGISLATION

The Commodity Futures Trading Commission Act of 1974 ("CFTCA") (P.L. 93-463) was signed into law on October 23, 1974. The Act reforms the regulation of the Nation's \$571 billion com-

modity futures industry and creates a new independent regulatory body—the Commodity Futures Trading Commission (CFTC)—with expanded jurisdiction and powers to oversee the Act.

The effective date of CFTCA is 180 days after the date of enactment, or April 21, 1975. The date was picked after consultation with administration figures as to a reasonable period during which the five Commissioners could be expected to be nominated, confirmed, and engage in the necessary preliminary activities to establish the Commission, hire principal staff (the Executive Director selected by the Commission requires Senate confirmation), and engage in the time consuming activities involved in registering the approximately 25,000 to 30,000 persons handling customer accounts otherwise regulated under the Act, designate new contract markets for all commodities and begin to effectively regulate this volatile and sensitive industry.

Unfortunately, the President's selection of four Commissioners was not forthcoming until March 18 of this year.

There are certain things that the Commodity Futures Trading Commission cannot physically accomplish between the time of the confirmation of the Commissioners and April 21, 1975, the effective date of the Commodity Futures Trading Commission Act of 1974.

The Commission cannot review the operations, bylaws and rules of the commodity markets in sufficient depth to determine whether such markets should be designated as contract markets under the Act. The designation of contract markets without proper review would not be in the public interest.

Another major area of concern is the registration of persons associated with futures commission merchants and of commodity trading advisors and commodity pool operators. It is estimated that there are approximately 25,000 to 30,000 persons who would be required to register under these provisions. The Commission could not within the brief period allotted to it prior to April 21 promulgate the necessary regulations, review the applications from such persons, make meaningful fitness checks, and issue the required registrations. The House Joint Resolution would be delaying the effective date of sections 204 and 205, give the Commission an additional 90 days in which to accomplish the work.

Other sections within the current Act impose statutory deadlines on the Commission which were originally based on the supposition of a trouble free transition between the current regulatory structure and the CFTC.

These include provisions of the Act dealing with the question of trading by floor brokers and futures commission merchants, customer reparation procedures, and new definitions of hedging. Appropriate adjustments of these provisions also need to be made and is contained in the provisions of H.J. Res. 335, as amended.

No provision in the resolution, as amended, alters existing law with respect to the jurisdiction of other Federal or State regulatory efforts.

COMMITTEE CONSIDERATION

House Joint Resolution 335 was introduced in the House on March 19, 1975, by the Chairman and Ranking Minority Member of

the Committee on Agriculture and by the Chairman and Ranking Minority Member of the Subcommittee on Conservation and Credit. On March 20, the legislation was referred to the Subcommittee on Conservation and Credit, and subsequently a report was requested from the Department of Agriculture. A favorable report was received on April 7. A public hearing was held on March 26, and following the hearing, the Subcommittee met in an open business meeting and ordered H.J. Res. 335, as amended, reported to the Full Committee by a division vote. On March 26, 1975, in an open business meeting, the Full Committee ordered H.J. Res. 335, as amended, reported to the House by a division vote in the presence of a quorum.

COMMITTEE AMENDMENT

The amendment adopted by the Committee is designed to increase the flexibility of response of the Commission during the 90-day provisional period provided, and still put the CFTC in a position of being intact as a regulatory body with full responsibility over the new jurisdiction provided the Commission pursuant to Section 201 of the CFTCA.

As amended, the House Joint Resolution would permit the Commission to take over from the Secretary of Agriculture the regulation of the currently regulated markets on April 21, 1975, and improve the regulation of these markets through the use of the more effective regulatory tools provided by the Commodity Futures Trading Commission Act of 1974. In addition, it would provide an orderly way in which new markets and new registrants could be brought under the provisions of the Act, and provide additional time for the Commission's consideration of some of the more complex provisions of the Act. The Committee intends that the provisions of H.J. Res. 335 be interpreted as broadly as needed by the Commission to provide a response capability by the CFTC to problems which may not be envisioned at this time, subject to the public interest.

It is not the intent of the Committee, by reporting this resolution, to delay the holding of hearings or the implementation of any regulations required or encouraged by the Act. In transactions covered in sections 201, and 217 of the Act, it is incumbent that the Commission act as speedily as possible to exercise its regulatory prerogatives in these areas to prevent the creation of any possible gaps in regulation.

There are other substantive provisions of the Commodity Exchange Act, as Amended, which will become applicable to all persons engaged in these activities on April 21, 1975, and it will be incumbent upon such persons to conduct their commodity business activities in a manner consistent with the provisions of such Act, despite the absence of specific Commission regulations in the interim period. By way of illustration, Section 4(b) of the Commodity Exchange Act as Amended, will apply, under the provisional contract market designation authority of this Resolution, on April 21, to all persons dealing in previously unregulated commodities, irrespective of any further action by the Commission. That section makes it—

unlawful * * * for any person, in or in connection with, any order to make, or the making of, any contract of sale of any commodity for future delivery made, or to be made, on or sub-

ject to the rules of any contract market, for or on behalf of any other person . . . (A) to cheat or defraud or attempt to cheat or defraud such other person; (B) willfully to make . . . to such other person any false report or statement thereof, or willfully to enter . . . any false record thereof; (C) willfully to deceive . . . such other person . . . ; or, (D) to bucket such order * * * [emphasis supplied.]

Violators of this provision will be subject to the severe criminal penalties of Section 9(c) for any action occurring on or after April 21 regardless of the timing of additional regulatory action by the Commission.

As of April 21, 1975, any person who is acting as a "futures commission merchant" or a "floor broker" solely in the presently unregulated commodities must cease doing business unless he is registered with the Commission. Further, if the Commission finds it in the public interest not to extend the effective dates of sections 204 and 205 of the CFTCA, any person who is a "commodity trading advisor" or "commodity pool operator" as those terms are defined in the CFTCA, or who is an associated person, within the meaning of section 4k of the CFTCA, must also cease doing business as of April 21, 1975, unless registered with the Commission. The purpose of provisional registration is to provide the Commission with an opportunity to give registration applications the thorough review they require and, at the same time, to permit applicants, pending the completion of that review, to continue to engage in the business for which they are seeking registration.

The Committee wishes to make it clear that a person who has been granted provisional registration must cease doing business immediately upon the expiration of the provisional registration period, unless he has been granted registration for a full period. The Committee also wishes to make it clear that, in determining whether to register a provisional registrant for a full period, the Commission may refuse to grant such registration for any of the reasons specified in section 8a(2) of the Commodity Exchange Act, as amended, and the Commission may do so "pending final determination" as provided in that section.

The Committee recognizes that the Commission may be unable to adopt procedural rules for registration in time to permit persons to file applications for registration before April 21, 1975. Section 1(c) provides, therefore, that the Commission may defer the effective dates of sections 204 and 205 of the CFTCA for such periods, as it finds in the public interest, not in excess of 90 days from the effective date of the CFTCA.

The Committee also recognizes that during its start-up period the Commission may not be in a position to review and approve all the bylaws, rules, regulations and resolutions of the contract markets. Section 1(c) provides, therefore, that the Commission may defer the effective date of section 210 of the CFTCA for such periods, as it finds in the public interest, not in excess of 90 days from the effective date of the CFTCA. The Committee wishes to make it clear, however, that during the period of any such delay by the Commission of the effective date of section 210, the Commission intends that the contract markets

enforce all of their bylaws, rules, regulations and resolutions which have not been specifically disapproved by the Commission and which are consistent with the purposes of the Commodity Exchange Act, as amended.

CURRENT AND FIVE SUBSEQUENT FISCAL YEAR COST ESTIMATE

Pursuant to Clause 7 of Rule XIII of the Rules of the House of Representatives, the Committee estimates the cost to be incurred by the Federal Government during the current and the five subsequent fiscal years as a result of the enactment of this legislation would be zero.

The same cost estimate was submitted to the Committee by the Department of Agriculture.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4), Rule XI of the Rules of the House of Representatives, the Committee estimates that there will be no inflationary impact from the enactment of H.J. Res. 335, as amended.

BUDGET ACT COMPLIANCE (SECTION 308 AND SECTION 403)

The provisions of clause (3)(B) and clause (1)(3)(C) of Rule X of the House of Representatives, and Section 308(a) and Section 403 of the Congressional Budget Act of 1974 (relating to estimates of new budget authority on new or increased tax expenditures and estimates in comparisons prepared by the Director of the Congressional Budget Office), are not considered applicable.

OVERSIGHT STATEMENT

No specific oversight activities, other than the hearings accompanying the Committee's consideration of H.J. Res. 335, were made by the Committee, within the definition of clause 2(b)(1) of Rule X of the House.

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by H.J. Res. 335.

ADMINISTRATION POSITION

Mr. Alex C. Caldwell, Administrator of the Commodity Exchange Authority, delivered the following statement in support of H.J. Res. 335, and subsequently supported the Committee amendment:

STATEMENT OF ALEX C. CALDWELL, ADMINISTRATOR, COMMODITY EXCHANGE AUTHORITY, U.S. DEPARTMENT OF AGRICULTURE, BEFORE THE SUBCOMMITTEE ON CONSERVATION AND CREDIT OF THE HOUSE AGRICULTURE COMMITTEE, MARCH 26, 1975

Mr. Chairman, I appreciate this opportunity to appear before this Committee to discuss House Joint Resolution 335. The approval of

this resolution seems necessary if we are to have an orderly transition from the Commodity Exchange Authority to the Commodity Futures Trading Commission.

There are certain things that the Commodity Futures Trading Commission cannot physically accomplish between the time of the confirmation of the Commissioners and April 21, 1975, the effective date of the Commodity Futures Trading Commission Act of 1974.

The Commission cannot review the operations, bylaws and rules of the currently unregulated commodity markets in sufficient depth to determine whether such markets should be designated as contract markets under the Act. Moreover, it cannot establish a reporting and market surveillance system for the currently unregulated markets and have it in effective operation by April 21. The designation of contract markets without proper review and the regulation of trading in new commodity futures without a proper reporting and surveillance system would not be in the public interest.

The House Joint Resolution would solve both of these problems by delaying the effective date of section 201(b) of the Act for 90 days. This would have the effect of delaying for this period the application of the designation and other requirements to the currently unregulated markets. It would not delay the much needed strengthening of regulation of the markets currently under the jurisdiction of the Secretary of Agriculture. During this period, the Commission would have ample time, in my judgment, to determine whether specific markets should be designated under the Act and to establish a meaningful surveillance system for these markets.

The postponement of the effective date of section 201(b) would also delay the exclusive jurisdiction provision of the Act. Since the Commission would not have jurisdiction over trading in certain commodities such as gold and silver during this 90-day period, other Federal agencies and the states could continue their present regulatory programs in these areas. Unless there are undesirable consequences in some of these programs as a result of the postponement of this provision of the Act, the continuation of these programs during this period would appear to be in the public interest.

The other major area of concern has been the registration of persons associated with futures commission merchants and of commodity trading advisors and commodity pool operators. We estimate that there are approximately 25,000 to 30,000 persons who would be required to register under these provisions. The Commission could not within the brief period allotted to it prior to April 21 promulgate the necessary regulations, review the applications from such persons, make meaningful fitness checks, and issue the required registrations. The House Joint Resolution would, by delaying the effective date of sections 204 and 205, give the Commission an additional 90 days in which to accomplish this work. This, in my judgment, should be ample.

In addition to the matters which I have already discussed, which are of primary concern to me, the House Joint Resolution would give the Commission additional time to complete certain of the important tasks which the new legislation places upon it. Section 106 of the law, which establishes a reparation procedure, would be slightly changed. The Commission would, under this proposal, have an additional 90 days in which to put a reparation program into effect. The proposed change would not, however, adversely affect any person who might seek to use

such a reparation procedure. At the present time, the law provides that claims which arise within 9 months immediately prior to the effective date of the section may be heard by the Commission after the reparation procedure is established. The House Joint Resolution would extend the claims period to one year and, thus, include the entire period covered by the present provisions of this section.

Under the House Joint Resolution, section 203 of the Act would be amended to give the Commission an additional 90 days in which to determine whether floor brokers and futures commission merchants would be permitted to trade both for their own accounts and the accounts of customers and, if so, under what terms and conditions. As the Committee is aware, there is a wide difference of opinion as to whether this type of dual trading should be permitted. Since this is a controversial matter and the Commission's decision could have a major impact on certain traders and on the markets, it would be extremely helpful for the Commission to have the additional 90-day period provided by this resolution.

In addition to the provisions covered by House Joint Resolution 335, we believe it would be well to postpone for 90 days the effective date of sections 210 and 407 of the Commodity Futures Trading Commission Act of 1974. Section 210 requires contract markets to submit to the Commission for its approval all bylaws and rules issued by the contract market or by its governing board relating to trading requirements. Under section 407 the contract markets must enforce all such bylaws and rules approved by the Commission and revoke and not enforce all disapproved bylaws and rules. Read together, these sections seem to require prior approval by the Commission of the bylaws and rules of the contract markets before such bylaws and rules can be enforced. This applies to currently designated contract markets as well as those which may be designated in the future. It probably will not be possible for the Commission to approve all bylaws and rules of existing contract markets before April 21, 1975; therefore, these provisions should be delayed also.

In summary, the House Joint Resolution would permit the Commission to take over from the Secretary of Agriculture the regulation of the currently regulated markets on April 21, 1975, and improve the regulation of these markets through the use of the more effective regulatory tools provided by the Commodity Futures Trading Commission Act of 1974. In addition, it would provide an orderly way in which new markets and new registrants could be brought under the provisions of the Act, and provide additional time for the Commission's consideration of some of the more complex provisions of the Act.

In addition, the Department of Agriculture recommended approval of H.J. Res. 335, as amended, in the following report of April 7, from Secretary Earl L. Butz:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., April 7, 1975.

HON. THOMAS S. FOLEY,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your letter of March 24, 1975, for a report on House Joint Resolution 335 to extend the effective

date of certain provisions of the Commodity Futures Trading Commission Act of 1974. Our report will be based upon this Joint Resolution as amended and approved by the Committee on Agriculture on March 26, 1975.

We recommend the approval of House Joint Resolution 335, as so amended and approved, subject to a change suggested herein.

There are certain things that the Commodity Futures Trading Commission cannot physically accomplish between the confirmation of the Commissioners and April 21, 1975, the effective date of the Commodity Futures Trading Commission Act of 1974.

The Commission cannot review the operations, bylaws, and rules of commodity exchanges seeking designation as contract markets in sufficient depth prior to April 21, 1975, to determine whether such markets should be designated. In addition, the Commission cannot review and process within the brief period allotted to it prior to April 21, 1975, the applications of an estimated 25,000 to 30,000 individuals and firms that are expected to apply for registration as futures commission merchants, floor brokers, associated persons, commodity trading advisors and commodity pool operators.

House Joint Resolution 335 would give the Commodity Futures Trading Commission the authority to issue provisional designations as contract markets for a period not to exceed 90 days from the effective date of the Commodity Futures Trading Commission Act, and to delay for the same period the effective date of the section of the Act requiring Commission approval of contract market bylaws and rules. The Joint Resolution would also give the Commission the authority to issue provisional registrations as futures commission merchants, floor brokers, associated persons, commodity trading advisors and commodity pool operators for a period not to exceed 90 days from the effective date of the Act. As an alternative to the provisional designation of associated persons, commodity trading advisors and commodity pool operators, the Commission is authorized to delay for the same period the effective date of the sections of the Act requiring registration of such persons. During the 90-day period in which the Commission could issue provisional designation or registration and/or delay the effective date of certain sections of the Act, the Commission would have sufficient time to determine whether the applicants met the designation or registration requirements of the Act.

Following such a review the Commission could issue, to those that qualify, the type of designation or registration originally contemplated by the statute.

We believe that the reference in section 1(c) of the amended bill to section 210 should be changed to refer to section 407 also since the latter section is the one which revokes the present requirement in section 5a(8) of the Commodity Exchange Act (7 U.S.C. 7a(8)) that a contract market enforce its bylaws, etc., which have not been disapproved under the Act and substitutes a requirement for enforcement of bylaws, etc., approved by the Commission.

In making this report, the Department is submitting its own views. It cannot speak for the Commodity Futures Trading Commission.

The passage of the joint Resolution would not involve additional cost.

The Office of Management and Budget advises that there is no objection to the presentation of this report and that the passage of the Joint Resolution would be consistent with the Administration's objects.

Sincerely,

EARL L. BUTZ,
Secretary.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman) :

THE COMMODITY FUTURES TRADING COMMISSION ACT OF 1974

* * * * *

SEC. 106. The Commodity Exchange Act, as amended, is amended by adding at the end thereof the following new section:

"SEC. 14. (a) Any person complaining of any violation of any provision of this Act or any rule, regulation, or order thereunder by any person registered under section 4d, 4e, 4k, or 4m of this Act may, at any time within two years after the cause of action accrues, apply to the Commission by petition, which shall briefly state the facts, whereupon, if, in the opinion of the Commission, the facts therein contained warrant such action, a copy of the complaint thus made shall be forwarded by the Commission to the respondent, who shall be called upon to satisfy the complaint, or to answer it in writing, within a reasonable time to be prescribed by the Commission.

"(b) If there appear to be, in the opinion of the Commission, any reasonable grounds for investigating any complaint made under this section, the Commission shall investigate such complaint and may, if in its opinion the facts warrant such action, have said complaint served by registered mail or by certified mail or otherwise on the respondent and afford such person an opportunity for a hearing thereon before an Administrative Law Judge designated by the Commission in any place in which the said person is engaged in business: *Provided*, That in complaints wherein the amount claimed as damages does not exceed the sum of \$2,500, a hearing need not be held and proof in support of the complaint and in support of the respondent's answer may be supplied in the form of depositions or verified statements of fact.

"(c) After opportunity for hearing on complaints where the damages claimed exceed the sum of \$2,500 has been provided or waived and on complaints where damages claimed do not exceed the sum of \$2,500 not requiring hearing as provided herein, the Commission shall determine whether or not the respondent has violated any provision of this Act or any rule, regulation, or order thereunder.

"(d) In case a complaint is made by a nonresident of the United States, the complainant shall be required, before any formal action is taken on his complaint, to furnish a bond in double the amount of the claim conditioned upon the payment of costs, including a reasonable attorney's fee for the respondent if the respondent shall prevail, and any reparation award that may be issued by the Commission

against the complainant on any counterclaim by respondent: *Provided*, That the Commission shall have authority to waive the furnishing of a bond by a complainant who is a resident of a country which permits the filing of a complaint by a resident of the United States without the furnishing of a bond.

"(e) If after a hearing on a complaint made by any person under subsection (a) of this section, or without hearing as provided in subsections (b) and (c) of this section, or upon failure of the party complained against to answer a complaint duly served within the time prescribed, or to appear at a hearing after being duly notified, the Commission determines that the respondent has violated any provision of this Act, or any rule, regulation, or order thereunder, the Commission shall, unless the offender has already made reparation to the person complaining, determine the amount of damage, if any, to which such person is entitled as a result of such violation and shall make an order directing the offender to pay to such person complaining such amount on or before the date fixed in the order. If, after the respondent has filed his answer to the complaint, it appears therein that the respondent has admitted liability for a portion of the amount claimed in the complaint as damages, the Commission under such rules and regulations as it shall prescribe, unless the respondent has already made reparation to the person complaining, may issue an order directing the respondent to pay to the complainant the undisputed amount on or before the date fixed in the order, leaving the respondent's liability for the disputed amount for subsequent determination. The remaining disputed amount shall be determined in the same manner and under the same procedure as it would have been determined if no order had been issued by the Commission with respect to the undisputed sum.

"(f) If any person against whom an award has been made does not pay the reparation award within the time specified in the Commission's order, the complainant, or any person for whose benefit such order was made, within three years of the date of the order, may file a certified copy of the order of the Commission, in the district court of the United States for the district in which he resides or in which is located the principal place of business of the respondent, for enforcement of such reparation award by appropriate orders. The orders, writs, and processes of such district court may in such case run, be served, and be returnable anywhere in the United States. The petitioner shall not be liable for costs in the district court, nor for costs at any subsequent state of the proceedings, unless they accrue upon his appeal. If the petitioner finally prevails, he shall be allowed a reasonable attorney's fee, to be taxed and collected as a part of the costs of the suit. Subject to the right of appeal under subsection (g) of this section, an order of the Commission awarding reparations shall be final and conclusive.

"(g) Any order of the Commission entered hereunder shall be reviewable on petition of any party aggrieved thereby, by the United States Court of Appeals for any circuit in which a hearing was held, or if no hearing was held, any circuit in which the appellee is located, under the procedure provided in paragraph (b) of section 6 of this Act. Such appeal shall not be effective unless within 30 days from and after the date of the reparation order the appellant also files with

the clerk of the court a bond in double the amount of the reparation awarded against the appellant conditioned upon the payment of the judgment entered by the court, plus interest and costs, including a reasonable attorney's fee for the appellee, if the appellee shall prevail. Such bond shall be in the form of cash, negotiable securities having a market value at least equivalent to the amount of bond prescribed, or the undertaking of a surety company on the approved list of sureties issued by the Treasury Department of the United States. The appellee shall not be liable for costs in said court. If the appellee prevails, he shall be allowed a reasonable attorney's fee to be taxed and collected as a part of his costs.

"(h) Unless the registrant against whom a reparation order has been issued shows to the satisfaction of the Commission within fifteen days from the expiration of the period allowed for compliance with such order that he has either taken an appeal as herein authorized or has made payment in full as required by such order, he shall be prohibited from trading on all contract markets and his registration shall be suspended automatically at the expiration of such fifteen-day period until he shows to the satisfaction of the Commission that he has paid the amount therein specified with interest thereon to date of payment: *Provided*, That if on appeal the appellee prevails or if the appeal is dismissed the automatic prohibition against trading and suspension of registration shall become effective at the expiration of thirty days from the date of judgment on the appeal, but if the judgment is stayed by a court of competent jurisdiction the suspension shall become effective ten days after the expiration of such stay, unless prior thereto the judgment of the court has been satisfied.

"(i) The provisions of this section shall not become effective until **[one year]** *fifteen months* after the date of its enactment: *Provided*, That claims which arise within **[nine months]** *one year* immediately prior to the effective date of this section may be heard by the Commission after such **[one year]** *fifteen months* period."

SEC. 203. The Commodity Exchange Act, as amended, is amended by inserting after section 4i (7 U.S.C. 6i), the following new section:

"SEC. 4j. (1) The Commission shall within **[six months]** *nine months* after the effective date of the Commodity Futures Trading Commission Act of 1974, and subsequently when it determines that changes are required, make a determination, after notice and opportunity for hearing, whether or not a floor broker may trade for his own account or any account in which such broker has trading discretion, and also execute a customer's order for future delivery and, if the Commission determines that such trades and such executions shall be permitted, the Commission shall further determine the terms, conditions, and circumstances under which such trades and such executions shall be conducted: *Provided*, That any such determination shall, at a minimum, take into account the effect upon the liquidity of trading of each market: *And provided further*, That nothing herein shall be construed to prohibit the Commission from making separate determinations for different contract markets when such are warranted in the judgment of the Commission, or to prohibit contract markets from setting terms and conditions more restrictive than those set by the Commission.

"(2) The Commission shall within **[six months]** *nine months* after the effective date of the Commodity Futures Trading Commission Act of 1974, and subsequently when it determines that changes are required make a determination, after notice and opportunity for hearing, whether or not a futures commission merchant may trade for its own account or any proprietary account, as defined by the Commission, and if the Commission determines that such trades shall be permitted, the Commission shall further determine the terms, conditions, and circumstances under which such trades shall be conducted: *Provided*, That any such determination, at a minimum, shall take into account the effect upon the liquidity of trading of each market: *And provided further*, That nothing herein shall be construed to prohibit the Commission from making separate determinations for different contract markets when such are warranted in the judgment of the Commission, or to prohibit contract markets from setting terms and conditions more restrictive than those set by the Commission."

* * * * *

SEC. 204. (a) The Commodity Exchange Act, as amended, is amended by adding the following new section:

"SEC. 4k. (1) It shall be unlawful for any person to be associated with any futures commission merchant or with any agent of a futures commission merchant as a partner, officer, or employee (or any person occupying a similar status or performing similar functions), in any capacity which involves (i) the solicitation or acceptance of customers' orders (other than in a clerical capacity) or (ii) the supervision of any person or persons so engaged, unless such person shall have registered, under this Act, with the Commission and such registration shall not have expired nor been suspended (and the period of suspension has not expired) or revoked, and it shall be unlawful for any futures commission merchant or any agent of a futures commission merchant to permit such a person to become or remain associated with him in any such capacity if such futures commission merchant or agent knew or should have known that such person was not so registered or that such registration had expired, been suspended (and the period of suspension has not expired) or revoked: *Provided*, That any individual who is registered as a floor broker or futures commission merchant (and such registration is not suspended or revoked) need not also register under these provisions.

"(2) Any such person desiring to be registered shall make application to the Commission in the form and manner prescribed by the Commission, giving such information and facts as the Commission may deem necessary concerning the applicant. Such person, when registered hereunder, shall likewise continue to report and furnish to the Commission such information as the Commission may require. Such registration shall expire two years after the effective date thereof, and shall be renewed upon application therefor unless the registration has been suspended (and the period of such suspension has not expired) or revoked after notice and hearing as prescribed in section 6(b) of this Act: *Provided*, That upon initial registration, the effective period of such registration shall be set by the Commission, not to exceed two years from the effective date thereof and not to be less than one year from the effective date thereof."

(b) Section 6(b) of the Commodity Exchange Act, as amended (7 U.S.C. 9), is amended by inserting after the words "futures commission merchant" each time those words appear, the following: "or any person associated therewith as described in section 4k of this Act,".

(c) Section 8a(1) of the Commodity Exchange Act, as amended (7 U.S.C. 12a(1)), is amended by inserting after the words "futures commission merchants" the following: "and persons associated therewith as described in section 4k of this Act,".

Sec. 205. (a) The Commodity Exchange Act, as amended; is amended by adding the following new sections:

"Sec. 41. It is hereby found that the activities of commodity trading advisors and commodity pool operators are affected with a national public interest in that, among other things—

"(1) their advice, counsel, publications, writings, analyses, and reports are furnished and distributed, and their contracts, solicitations, subscriptions, agreements, and other arrangements with clients take place and are negotiated and performed by the use of the mails and other means and instrumentalities of interstate commerce;

"(2) their advice, counsel, publications, writings, analyses, and reports customarily relate to and their operations are directed toward and cause the purchase and sale of commodities for future delivery on or subject to the rules of contract markets; and

"(3) the foregoing transactions occur in such volume as to affect substantially transactions on contract markets.

"Sec. 4m. It shall be unlawful for any commodity trading advisor or commodity pool operator, unless registered under this Act, to make use of the mails or any means or instrumentality of interstate commerce in connection with his business as such commodity trading advisor or commodity pool operator: *Provided*, That the provisions of this section shall not apply to any commodity trading advisor who, during the course of the preceding twelve months, has not furnished commodity trading advice to more than fifteen persons and who does not hold himself out generally to the public as a commodity trading advisor.

"Sec. 4n. (1) Any commodity trading advisor or commodity pool operator, or any person who contemplates becoming a commodity trading advisor or commodity pool operator, may register under this Act by filing an application with the Commission. Such application shall contain such information, in such form and detail, as the Commission may, by rules and regulations, prescribe as necessary or appropriate in the public interest, including the following:

(A) the name and form of organization, including capital structure, under which the applicant engages or intends to engage in business; the name of the State under the laws of which he is organized; the location of his principal business office and branch offices, if any; the names and addresses of all partners, officers, directors, and persons performing similar functions or, if the applicant be an individual, of such individual; and the number of employees;

"(B) the education, the business affiliations for the past ten years, and the present business affiliations of the applicant and of

his partners, officers, directors, and persons performing similar functions and of any controlling person thereof;

"(C) the nature of the business of the applicant, including the manner of giving advice and rendering of analyses or reports;

"(D) the nature and scope of the authority of the applicant with respect to clients' funds and accounts;

"(E) the basis upon which the applicant is or will be compensated; and

"(F) such other information as the Commission may require to determine whether the applicant is qualified for registration.

"(2) Except as hereinafter provided, such registration shall become effective thirty days after the receipt of such application by the Commission, or within such shorter period of time as the Commission may determine.

"(3) All registrations under this section shall expire on the 30th day of June of each year, and shall be renewed upon application therefor subject to the same requirements as in the case of an original application.

"(4) (A) Every commodity trading advisor and commodity pool operator registered under this Act shall maintain books and records and file such reports in such form and manner as may be prescribed by the Commission. All such books and records shall be kept for a period of at least three years, or longer if the Commission so directs, and shall be open to inspection by any representative of the Commission or the Department of Justice. Upon the request of the Commission, a registered commodity trading advisor or commodity pool operator shall furnish the name and address of each client, subscriber, or participant, and submit samples or copies of all reports, letters, circulars, memorandums, publications, writings, or other literature or advice distributed to clients, subscribers, or participants, or prospective clients, subscribers, or participants.

"(B) Unless otherwise authorized by the Commission by rule or regulation, all commodity trading advisors and commodity pool operators shall make a full and complete disclosure to their subscribers, clients, or participants of all futures market positions taken or held by the individual principals of their organization.

"(5) Every commodity pool operator shall regularly furnish statements of account to each participant in his operations. Such statements shall be in such form and manner as may be prescribed by the Commission and shall include complete information as to the current status of all trading accounts in which such participant has an interest.

"(6) The Commission is authorized, without hearing, to deny registration to any person as a commodity trading advisor or commodity pool operator if such person is subject to an outstanding order under this Act denying to such person trading privileges on any contract market, or suspending or revoking the registration of such person as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or suspending or expelling such person from membership on any contract market.

"(7) The Commission after hearing may by order deny registration, revoke or suspend the registration of any commodity trading advisor

or commodity pool operator if the Commission finds that such denial, revocation, or suspension is in the public interest and that—

“(A) the operations of such person disrupt or tend to disrupt orderly marketing conditions, or cause or tend to cause sudden or unreasonable fluctuations or unwarranted changes in the prices of commodities;

“(B) such commodity trading advisor or commodity pool operator, or any partner, officer, director, person performing similar function or controlling person thereof—

“(i) has within ten years of the issuance of such order been convicted of any felony or misdemeanor involving the purchase or sale of any commodity or security, or arising out of any conduct or practice of such commodity trading advisor or commodity pool operator or affiliated person as a commodity trading advisor or commodity pool operator; or

“(ii) at the time of the issuance of such order, is permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction from acting as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or as an affiliated person or employee of any of the foregoing, or from engaging in or continuing any conduct or practice in connection with any such activity or in connection with the purchase or sale of commodities or securities; or

“(C) any partner, officer, or director of such commodity trading advisor or commodity pool operator, or any person performing a similar function or any controlling person thereof is subject to an outstanding order of the Commission denying trading privileges on any contract market to such person, or suspending or revoking the registration of such person as a commodity trading advisor, commodity pool operator, futures commission merchant, or floor broker, or suspending or expelling such person from membership on any contract market.

“SEC. 40. (1) It shall be unlawful for any commodity trading advisor or commodity pool operator registered under this Act, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly—

“(A) to employ any device, scheme, or artifice to defraud any client or participant or prospective client or participant; or

“(B) to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or participant or prospective client or participant.

“(2) It shall be unlawful for any commodity trading advisor or commodity pool operator registered under this Act to represent or imply in any manner whatsoever that he has been sponsored, recommended, or approved, or that his abilities or qualifications have in any respect been passed upon by the United States or any agency or officer thereof: *Provided*, That this section shall not be construed to prohibit a statement that a person is registered under this Act as a commodity trading advisor or commodity pool operator, if such statement is true in fact and if the effect of such registration is not misrepresented.”

(b) Section 6(b) of the Commodity Exchange Act, as amended (7 U.S.C. 9), is amended by inserting immediately before the words “or as floor broker” each time those words appear, the following: “commodity trading advisor, commodity pool operator.”

(c) Section 8a(1) of the Commodity Exchange Act, as amended (7 U.S.C. 12a(1)), is amended by inserting immediately before the words “and floor brokers” the following: “commodity trading advisors, commodity pool operators.”

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SEC. 210. Section 5a of the Commodity Exchange Act, as amended (7 U.S.C. 7a), is amended by inserting the following new subsection (12) as follows:

“(12) except as otherwise provided in this subsection, submit to the Commission for its approval all bylaws, rules, regulations, and resolutions made or issued by such contract market, or by the governing board thereof or any committee thereof which relate to terms and conditions in contracts of sale to be executed on or subject to the rules of such contract market or relate to other trading requirements except those relating to the setting of levels of margin. The Commission shall approve, within thirty days of their receipt unless the Commission notifies the contract market of its inability to make such determination within such period of time, such bylaws, rules, regulations, and resolutions upon a determination that such bylaws, rules, regulations, and resolutions are not in violation of the provisions of this Act or the regulations of the Commission and thereafter the Commission shall disapprove, after appropriate notice and opportunity for hearing, any bylaw, rule, regulation, or resolution which the Commission finds at any time is in violation of the provisions of this Act or the regulations of the Commission. The Commission shall specify the terms and conditions under which a contract market may, in an emergency, as defined by the Commission, adopt a temporary rule dealing with trading requirements without prior Commission approval. In the event of such an emergency, as defined by the Commission, requiring immediate action, the contract market by a two-thirds vote of its governing board may place into immediate effect without prior Commission approval a temporary rule dealing with such emergency if it notifies the Commission of such action with a complete explanation of the emergency involved. The Commission may adopt a regulation exempting enumerated types of contract market operational and administrative rules from the requirement that they be submitted to the Commission for its approval.”

* * * * *
SEC. 404. Section 4a(3) of the Commodity Exchange Act, as amended (7 U.S.C. 6a), is amended by deleting the period at the end of the first sentence and adding “as such terms shall be defined by the Commission within [ninety days] *one hundred eighty days* after the effective date of the Commodity Futures Trading Commission Act of 1974 by order consistent with the purposes of this Act.”; and by deleting, effective immediately on enactment of this Act, the remainder of paragraph (3): *Provided*, That notwithstanding any other provision of law, the Secretary of Agriculture, immediately upon the enact-

ment of the Commodity Futures Trading Commission Act of 1974, is authorized and directed to promulgate regulations defining bona fide hedging transactions and positions: *And provided further*, That until the Secretary issues such regulations defining bona fide hedging transactions and positions and such regulations are in full force and effect, such terms shall continue to be defined as set forth in the Commodity Exchange Act prior to its amendment by the Commodity Futures Trading Commission Act of 1974.

* * * * *

That notwithstanding any other provision of law or of the Commodity Exchange Act, as amended (7 U.S.C. sec. 1 et seq.), the Commodity Futures Trading Commission established in Section 2(a) of the Commodity Exchange Act, as amended, in its discretion, and without prior notice or hearings:

(a) *may grant provisional designation as a contract market to any boards of trade for any commodities traded thereon for such period not in excess of 90 days from the effective date of the Commodity Futures Trading Commission Act of 1974 and under such terms and conditions as the Commission may prescribe: Provided, That upon the expiration of any provisional designation of a board of trade as a contract market, such board of trade shall not be designated as a contract market except as provided in Section 6 of the Commodity Exchange Act, as amended.*

(b) *may grant provisional registration as a futures commission merchant, floor broker, associated person, commodity trading advisor and commodity pool operator to any person for such period not in excess of 90 days from the effective date of the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463) and under such terms and conditions as the Commission may prescribe;*

(c) *may defer for such period not in excess of 90 days from the effective date of the Act, the effective dates of Sections 204, 205 and 210 of the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463).*

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Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

Joint Resolution

To extend the effective date of certain provisions of the Commodity Futures Trading Commission Act of 1974.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law or of the Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.), the Commodity Futures Trading Commission established in section 2(a) of the Commodity Exchange Act, as amended, in its discretion, and without prior notice or hearings:

(a) may grant provisional designation as a contract market to any boards of trade for any commodities traded thereon for such period not in excess of ninety days from the effective date of the Commodity Futures Trading Commission Act of 1974 and under such terms and conditions as the Commission may prescribe: *Provided*, That upon the expiration of any provisional designation of a board of trade as a contract market, such board of trade shall not be designated as a contract market except as provided in section 6 of the Commodity Exchange Act, as amended;

(b) may grant provisional registration as a futures commission merchant, floor broker, associated person, commodity trading adviser, and commodity pool operator to any person for such period not in excess of ninety days from the effective date of the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463) and under such terms and conditions as the Commission may prescribe; and

(c) may defer for such period not in excess of ninety days from the effective date of the Act, the effective dates of sections 204, 205, 210, and 407 of the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463).

Sec. 2. Section 203 of the Commodity Futures Trading Commission Act of 1974 is amended by striking the phrase "six months" wherever it appears therein and substituting therefor the phrase "nine months".

Sec. 3. Section 106 of the Commodity Futures Trading Commission Act of 1974 is amended by striking the phrase "one year" wherever it appears in the last paragraph thereof (subsection (i) of new section 14 of the Commodity Exchange Act, as amended) and substituting therefor the phrase "fifteen months" and by striking the phrase "nine months" in the last paragraph thereof (subsection (i) of the new section 14 of the Commodity Exchange Act, as amended) and substituting therefor the phrase "one year".

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SEC. 4. Section 404 of the Commodity Futures Trading Commission Act of 1974 is amended by striking the phrase "ninety days" wherever it appears therein and substituting therefor the phrase "one hundred and eighty days".

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

April 16, 1975

Dear Mr. Director:

The following bill was received at the White House on April 16th:

H. J. Res. 335

Please let the President have reports and recommendations as to the approval of this bill as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.