

Sub-Table of Contents
Important Statutory and Regulatory Provisions

Statute or Regulation	Order
Excessive Speculation – 7 USC 6a (CEA Section 4a)	1 st
Definitions: Bona Fide Hedge – 17 CFR 1.3(z)	2 nd
Requirements for Classification of Purchase or Sales of Contracts for Future Delivery as Bona Fide Hedging Under Section 1.3(z)(3) of the Regulations – 17 CFR 1.47	3 rd
Requirements for Classification of Sales or Purchase for Future Delivery as Bona Fide Hedging of Unsold Anticipated Production or Unfilled Anticipated Requirements Under Section 1.3(z)(2)(i)(B) or (ii)(C) of the Regulations – 17 CFR 1.48	4 th
Limits on Positions – 17 CFR part 150 (Regulation 150.2 contains the CFTC-set position limits)	5 th
Core Principle 5, Position limitations and accountability – 7 USC 7(d)(5) (CEA Section 5(d)(5))	6 th
Guidance on, and Acceptable Practices In, Compliance with Core Principle 5 – 17 CFR part 38, Appendix B	7 th



Effective:[See Notes]

United States Code Annotated [Currentness](#)

Title 7. Agriculture

▣ [Chapter 1. Commodity Exchanges \(Refs & Annos\)](#)

→ **§ 6a. Excessive speculation**

(a) Burden on interstate commerce; trading or position limits

Excessive speculation in any commodity under contracts of sale of such commodity for future delivery made on or subject to the rules of contract markets or derivatives transaction execution facilities, or on electronic trading facilities with respect to a significant price discovery contract

causing sudden or unreasonable fluctuations or unwarranted changes in the price of such commodity, is an undue and unnecessary burden on interstate commerce in such commodity. For the purpose of diminishing, eliminating, or preventing such burden, the Commission shall, from time to time, after due notice and opportunity for hearing, by rule, regulation, or order, proclaim and fix such limits on the amounts of trading which may be done or positions which may be held by any person under contracts of sale of such commodity for future delivery on or subject to the rules of any contract market or derivatives transaction execution facility, or on an electronic trading facility with respect to a significant price discovery contract, as the Commission finds are necessary to diminish, eliminate, or prevent such burden. In determining whether any person has exceeded such limits, the positions held and trading done by any persons directly or indirectly controlled by such person shall be included with the positions held and trading done by such person; and further, such limits upon positions and trading shall apply to positions held by, and trading done by, two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading were done by, a single person. Nothing in this section shall be construed to prohibit the Commission from fixing different trading or position limits for different commodities, markets, futures, or delivery months, or for different number of days remaining until the last day of trading in a contract, or different trading limits for buying and selling operations, or different limits for the purposes of paragraphs (1) and (2) of subsection (b) of this section, or from exempting transactions normally known to the trade as “spreads” or “straddles” or “arbitrage” or from fixing limits applying to such transactions or positions different from limits fixed for other transactions or positions. The word “arbitrage” in domestic markets shall be defined to mean the same as “spread” or “straddle”. The Commission is authorized to define the term “international arbitrage”.

(b) Prohibition on trading or positions in excess of limits fixed by Commission

The Commission shall, in such rule, regulation, or order, fix a reasonable time (not to exceed ten days) after the promulgation of the rule, regulation, or order; after which, and until such rule, regulation, or order is suspended, modified, or revoked, it shall be unlawful for any person--

(1) directly or indirectly to buy or sell, or agree to buy or sell, under contracts of sale of such commodity for future delivery on or subject to the rules of the contract market or markets, or derivatives transaction execution facility or facilities or electronic trading facility with respect to a significant price discovery contract, to which the rule, regulation, or order applies, any amount of such commodity during any one business day in excess of any trading limit fixed for one business day by the Commission in such rule, regulation, or order for or with respect to such commodity; or

(2) directly or indirectly to hold or control a net long or a net short position in any commodity

for future delivery on or subject to the rules of any contract market or derivatives transaction execution facility or electronic trading facility with respect to a significant price discovery contract in excess of any position limit fixed by the Commission for or with respect to such commodity: *Provided*, That such position limit shall not apply to a position acquired in good faith prior to the effective date of such rule, regulation, or order.

(c) Applicability to bona fide hedging transactions or positions

No rule, regulation, or order issued under subsection (a) of this section shall apply to transactions or positions which are shown to be bona fide hedging transactions or positions as such terms shall be defined by the Commission by rule, regulation, or order consistent with the purposes of this chapter. Such terms may be defined to permit producers, purchasers, sellers, middlemen, and users of a commodity or a product derived therefrom to hedge their legitimate anticipated business needs for that period of time into the future for which an appropriate futures contract is open and available on an exchange. To determine the adequacy of this chapter and the powers of the Commission acting thereunder to prevent unwarranted price pressures by large hedgers, the Commission shall monitor and analyze the trading activities of the largest hedgers, as determined by the Commission, operating in the cattle, hog, or pork belly markets and shall report its findings and recommendations to the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture in its annual reports for at least two years following January 11, 1983.

(d) Persons subject to regulation; applicability to transactions made by or on behalf of United States

This section shall apply to a person that is registered as a futures commission merchant, an introducing broker, or a floor broker under authority of this chapter only to the extent that transactions made by such person are made on behalf of or for the account or benefit of such person. This section shall not apply to transactions made by, or on behalf of, or at the direction of, the United States, or a duly authorized agency thereof.

(e) Rulemaking power and penalties for violation

Nothing in this section shall prohibit or impair the adoption by any contract market, derivatives transaction execution facility, or by any other board of trade licensed, designated, or registered by the Commission or by any electronic trading facility of any bylaw, rule, regulation, or resolution fixing limits on the amount of trading which may be done or positions which may be held by any person under contracts of sale of any commodity for future delivery traded on or subject to the rules of such contract market or derivatives transaction execution facility or on an electronic

trading facility, or under options on such contracts or commodities traded on or subject to the rules of such contract market, derivatives transaction execution facility, or electronic trading facility or such board of trade: *Provided*, That if the Commission shall have fixed limits under this section for any contract or under [section 6c](#) of this title for any commodity option, then the limits fixed by the bylaws, rules, regulations, and resolutions adopted by such contract market, derivatives transaction execution facility, or electronic trading facility or such board of trade shall not be higher than the limits fixed by the Commission. It shall be a violation of this chapter for any person to violate any bylaw, rule, regulation, or resolution of any contract market, derivatives transaction execution facility, or other board of trade licensed, designated, or registered by the Commission or electronic trading facility with respect to a significant price discovery contract fixing limits on the amount of trading which may be done or positions which may be held by any person under contracts of sale of any commodity for future delivery or under options on such contracts or commodities, if such bylaw, rule, regulation, or resolution has been approved by the Commission or certified by a registered entity pursuant to [section 7a-2\(c\)\(1\)](#) of this title: *Provided*, That the provisions of [section 13\(a\)\(5\)](#) of this title shall apply only to those who knowingly violate such limits.

CREDIT(S)

(Sept. 21, 1922, c. 369, § 4a, as added June 15, 1936, c. 545, § 5, 49 Stat. 1492, and amended July 24, 1956, c. 690, § 1, 70 Stat. 630; Feb. 19, 1968, Pub.L. 90-258, §§ 2 to 4, 82 Stat. 26, 27; Oct. 23, 1974, [Pub.L. 93-463, Title IV, §§ 403, 404](#), 88 Stat. 1413; Apr. 16, 1975, [Pub.L. 94-16, § 4, 89 Stat. 78](#); Jan. 11, 1983, [Pub.L. 97-444, Title II, § 205](#), 96 Stat. 2299; Oct. 28, 1992, [Pub.L. 102-546, Title IV, § 402\(1\)\(A\), \(2\)](#), 106 Stat. 3624; Dec. 21, 2000, [Pub.L. 106-554](#), § 1(a) (5) [Title I, § 123(a)(4)], 114 Stat. 2763, 2763A-407; May 22, 2008, [Pub.L. 110-234, Title XIII, §§ 13105\(a\), 13203\(g\)](#), 122 Stat. 1434, 1439; June 18, 2008, [Pub.L. 110-246, Title XIII, §§ 13105\(a\), 13203\(g\)](#), 122 Stat. 2196, 2201.)

2008 Acts. Amendments by Pub.L. 110-246, except as otherwise provided, shall take effect on the earlier of June 18, 2008, or May 22, 2008, see Pub.L. 110-246, § 4(b), set out in a Repeal of Duplicative Enactment note under 7 U.S.C.A. § 8701.

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Code of Federal Regulations [Currentness](#)

Title 17. Commodity and Securities Exchanges

Chapter I. Commodity Futures Trading Commission

▸ [Part 1](#). General Regulations Under the Commodity Exchange Act ([Refs & Annos](#))

▸ [Definitions](#)

→ **§ 1.3 Definitions.**

* * * * *

(z) Bona fide hedging transactions and positions--

(1) General definition. Bona fide hedging transactions and positions shall mean transactions or positions in a contract for future delivery on any contract market, or in a commodity option, where such transactions or positions normally represent a substitute for transactions to be made or positions to be taken at a later time in a physical marketing channel, and where they are economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise, and where they arise from:

(i) The potential change in the value of assets which a person owns, produces, manufactures, processes, or merchandises or anticipates owning, producing, manufacturing, processing, or merchandising,

(ii) The potential change in the value of liabilities which a person owns or anticipates incurring, or

(iii) The potential change in the value of services which a person provides, purchases, or anticipates providing or purchasing.

Notwithstanding the foregoing, no transactions or positions shall be classified as bona fide hedging unless their purpose is to offset price risks incidental to commercial cash or spot operations and such positions are established and liquidated in an orderly manner in accordance with sound commercial practices and, for transactions or positions on contract markets subject to trading and position limits in effect pursuant to section 4a of the Act, unless the provisions of paragraphs (z)(2) and (3) of this section and §§ 1.47 and 1.48 of the regulations have been satisfied.

(2) Enumerated hedging transactions. The definitions of bona fide hedging transactions and positions in paragraph (z)(1) of this section includes, but is not limited to, the following specific transactions and positions:

(i) Sales of any commodity for future delivery on a contract market which do not exceed in quantity:

(A) Ownership or fixed-price purchase of the same cash commodity by the same person; and

(B) Twelve months' unsold anticipated production of the same commodity by the same person provided that no such position is maintained in any future during the five last trading days of that future.

(ii) Purchases of any commodity for future delivery on a contract market which do not exceed in quantity.

(A) The fixed-price sale of the same cash commodity by the same person.

(B) The quantity equivalent of fixed-price sales of the cash products and by-products of such commodity by the same person; and

(C) Twelve months' unfilled anticipated requirements of the same cash commodity for processing, manufacturing, or feeding by the same person, provided that such transactions and positions in the five last trading days of any one future do not exceed the person's unfilled anticipated requirements of the same cash commodity for that month and for the next succeeding month.

(iii) Offsetting sales and purchases for future delivery on a contract market which do not exceed in quantity that amount of the same cash commodity which has been bought and sold by the same person at unfixed prices basis different delivery months of the contract market, provided that no such position is maintained in any future during the five last trading days of that future.

(iv) Sales and purchases for future delivery described in paragraphs (z)(2)(i), (ii), and (iii) of this section may also be offset other than by the same quantity of the same cash commodity, provided that the fluctuations in value of the position for future delivery are substantially related to the fluctuations in value of the actual or anticipated cash position, and provided that

the positions in any one future shall not be maintained during the five last trading days of that future.

(3) Non-enumerated cases. Upon specific request made in accordance with § 1.47 of the regulations, the Commission may recognize transactions and positions other than those enumerated in paragraph (z)(2) of this section as bona fide hedging in such amount and under such terms and conditions as it may specify in accordance with the provisions of [§ 1.47](#). Such transactions and positions may include, but are not limited to, purchases or sales for future delivery on any contract market by an agent who does not own or who has not contracted to sell or purchase the offsetting cash commodity at a fixed price, *provided* That the person is responsible for the merchandising of the cash position which is being offset.

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Title 17. Commodity and Securities Exchanges

Chapter I. Commodity Futures Trading Commission

↖ [Part 1](#). General Regulations Under the Commodity Exchange Act ([Refs & Annos](#))

↖ [Miscellaneous](#)

→ § 1.47 Requirements for classification of purchases or sales of contracts for future delivery as bona fide hedging under § 1.3(z)(3) of the regulations.

(a) Any person who wishes to avail himself of the provisions of § 1.3(z)(3) of the regulations and to make purchases or sales of any commodity for future delivery in any commodity in excess of trading and position limits then in effect pursuant to section 4a of the Act shall file statement with the Commission in conformity with the requirements of this section. All or a specified portion of the transactions and positions described in these statements shall not be considered as bona fide hedging if such person is so notified by the Commission:

(1) Within 30 days after the Commission is furnished the information required under paragraph (b) of this section, or

(2) Within 10 days after the Commission is furnished with the information required under

paragraph (c) of this section.

The Commission may request the person notified to file specific additional information with the Commission to support a determination that all, or the specified portion, of the transactions and positions be considered as bona fide hedging transactions and positions. In such cases, the Commission shall consider all information so filed and, by notice to such person, shall specify the extent to which the Commission has determined that the transactions and positions may be classified as bona fide hedging. In no case shall transactions and positions described be considered as bona fide hedging if they exceed the levels specified in paragraph (d) of this section.

(b) Initial statement. Initial statements concerning the classification of transactions and positions as bona fide hedging pursuant to [§ 1.3\(z\)\(3\)](#) shall be filed with the Commission at least 30 days in advance of the date that such transactions or positions would be in excess of limits then in effect pursuant to section 4a of the Act. Such statements shall:

- (1) Describe the transactions and positions for future delivery and the offsetting cash positions;
- (2) Set forth in detail information which will demonstrate that the purchases and sales are economically appropriate to the reduction of risk exposure attendant to the conduct and management of a commercial enterprise;
- (3) Contain, and upon request of the Commission be supplemented by, such other information which is necessary to enable the Commission to make a determination whether the particular purchases and sales for future delivery fall within the scope of those described in section 1.3(z)(1) of the regulations;
- (4) Include a statement concerning the maximum size of positions for future delivery (both long and short) which will be acquired any time during the next fiscal year or marketing season of the person filing or on whose behalf the filing is made.
- (5) In addition: statements filed by an agent, concerning a futures position which would offset a cash position which the agent does not own or has not contracted to buy or sell, shall contain information describing all contractual arrangements between the agent filing and the person who owns the commodity or holds the cash market commitment being offset;
- (6) Statements concerning futures positions to be acquired against unsold anticipated production or unfilled anticipated requirements for manufacturing, processing or feeding shall also include the information required under § 1.48 of the regulations.

(c) Supplemental reports. Whenever the purchases or sales which a person wishes to classify as bona fide hedging shall exceed the amount provided in the person's most recent filing pursuant to this section or the amount previously specified by the Commission pursuant to paragraph (a) of this section, such person shall file with the Commission a statement which updates the information provided in the person's most recent filing and provides the reasons for this change at least ten days in advance of the date that person wishes to exceed those amounts.

(d) Maximum purchases and sales. Purchases and sales for future delivery considered bona fide hedging pursuant to § 1.3(z)(3) of the regulations shall at no time exceed the lesser of:

(1) The value fluctuation equivalent (in terms of the commodity for future delivery) of the current cash position described in the information most recently filed pursuant to this section, or

(2) The maximum level of long or short open positions provided in the information most recently filed pursuant to this section or most recently specified by the Commission pursuant to paragraph (a) of this section.

(e) Updated reports. Reports updating the information required pursuant to this section also shall be filed with the Commission upon specific request.

(Approved by the Office of Management and Budget under control number 3038-0013)

[42 FR 42751, Aug. 8, 1977, as amended at [46 FR 63035](#), Dec. 30, 1981]

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Chapter I. Commodity Futures Trading Commission

▣ [Part 1](#). General Regulations Under the Commodity Exchange Act ([Refs & Annos](#))

▣ Miscellaneous

→ **§ 1.48 Requirements for classification of sales or purchases for future delivery as bona fide hedging of unsold anticipated production or unfilled anticipated requirements under § 1.3(z)(2)(i)(B) or (ii)(C) of the regulations.**

(a) Any person who wishes to avail himself of the provisions of § 1.3(z)(2)(i)(B) or (ii)(C) of the regulations and to make sales or purchases for future delivery in any commodity in excess of trading and position limits then in effect pursuant to section 4a of the Act for the purposes of bona fide hedging shall file statements with the Commission in conformity with the requirements of this section. All or a specified portion of the unsold anticipated production or unfilled anticipated requirements described in these

statements shall not be considered as offsetting positions for bona fide hedging transactions and positions if such person is so notified by the Commission within ten days after the Commission is furnished with the information required under paragraphs (b) or (c) of this section. The Commission may request the person notified to file specific additional information with the Commission to support a determination that the statement filed accurately reflects unsold anticipated production or unfilled anticipated requirements for manufacturing, processing or feeding. In such cases, the Commission shall consider all additional information so filed and, by notice to such person, shall specify its determination as to what portion of the production or requirements described constitutes unsold anticipated production or unfilled anticipated requirements for the purposes of bona fide hedging. In no case shall such transactions and positions which offset unsold anticipated production or unfilled anticipated requirements be considered bona fide hedging if they exceed the levels specified in paragraph (d) of this section of the regulations.

(b) Initial statement. Initial statements concerning the classification of transactions and positions as bona fide hedging pursuant to [§ 1.3\(z\)\(2\)\(i\)\(B\)](#) or [\(ii\)\(C\)](#) shall be filed with the Commission at least ten days in advance of the date that such transactions or posi-

tions would be in excess of limits then in effect pursuant to section 4a of the Act. Such statements shall set forth in detail for a specified operating period not in excess of one year the person's unsold anticipated production or unfilled anticipated requirements for processing or manufacturing or feeding and explain the method of determination thereof, including, but not limited to, the following information:

(1) For unsold anticipated production:

(i) Annual production of such commodity for the three complete fiscal years preceding the current fiscal year;

(ii) Anticipated production of such commodity for a specified period not in excess of one year;

(iii) Fixed-price forward sales of such commodity;

(iv) Unsold anticipated production of such commodity for a specified period not in excess of one year.

(2) For unfilled anticipated requirements:

(i) Annual requirements of such commodity for processing or manufacturing or feeding for the three complete fiscal years preceding the current fiscal year;

(ii) Anticipated requirements of such commodity for processing or manufacturing or feeding for a specified operat-

ing period not in excess of one year;

(iii) Inventory and fixed-price forward purchases of such commodity, including any quantity in process of manufacture and finished goods and byproducts of manufacture or processing (in terms of such commodity);

(iv) Unfilled anticipated requirements of such commodity for processing or manufacturing or feedings for a specified operating period not in excess of one year.

(3) Additional information: Persons hedging unsold anticipated production or unfilled anticipated requirements which are not the same quantity or are not the same commodity as the commodity to be sold or purchased for future delivery shall furnish this information both in terms of the actual commodity produced or used and in terms of the commodity to be sold or purchased for future delivery. In addition, such persons shall explain the method for determining the ratio of conversion between the amount of the actual unsold anticipated production or unfilled anticipated requirements and the amount of commodity to be sold or purchased for future delivery. Persons hedging unfilled annual feeding requirements for livestock and poultry shall provide the number of cattle, hogs, sheep, or poultry expected to be fed during the specified period, not to exceed one year, and the derivation of their annual requirements based upon these numbers. Persons filing as an agent shall furnish

this information on the basis of the fiscal or operating year of the person on whose behalf the filing is made.

(c) Supplemental reports. Whenever the sales or purchases which a person wishes to consider as bona fide hedging of unsold anticipated production or unfilled anticipated requirements shall exceed the amounts described by the figures for requirements furnished in the most recent filing pursuant to this section or the amounts determined by the Commission to constitute unsold anticipated production or unfilled anticipated requirements pursuant to paragraph (a) of this section, such person shall file with the Commission a statement which updates the information provided in the person's most recent filing and supplies the reason for this change at least ten days in advance of the date that person wishes to exceed these amounts.

(d) Maximum sales and purchases. Sales or purchases for future delivery considered as bona fide hedges pursuant to [§ 1.3\(z\)\(2\) \(i\)](#) (B) or [\(ii\)](#)(C) shall at no time exceed the lesser of:

(1) A person's unsold anticipated production of unfilled anticipated requirements as described by the information most recently filed pursuant to this section or determined by the Commission pursuant to paragraph (a) of this section; or

(2) A person's actual unsold anticipated production or current unfilled anticipated requirements for the length of time spec-

ified in the information most recently filed pursuant to this section.

(e) Updated reports. Reports updating the information required pursuant to this section shall also be filed with the Commission upon specific request.

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▣ [Chapter I](#). Commodity Futures Trading Commission

▣ [Part 150](#). Limits on Positions ([Refs & Annos](#))

→ **§ 150.1 Definitions.**

As used in this part--

(a) Spot month means the futures contract next to expire during that period of time beginning at the close of trading on the trading day preceding the first day on which delivery notices can be issued to the clearing organization of a contract market.

(b) Single month means each separate futures trading month, other than the spot month future.

(c) All-months means the sum of all futures trading months including the spot month future.

(d) Eligible entity means--

A commodity pool operator, the operator of a trading vehicle which is excluded or who itself has qualified for exclusion from the definition of the term "pool" or commodity pool operator," respectively, under [§ 4.5](#) of this chapter; the limited partner or shareholder in a commodity pool the operator of

which is exempt from registration under [§ 4.13](#) of this chapter; a commodity trading advisor; a bank or trust company; a savings association; an insurance company; or the separately organized affiliates of any of the above entities:

(1) Which authorizes an independent account controller independently to control all trading decisions for positions it holds directly or indirectly, or on its behalf, but without its day-to-day direction; and

(2) Which maintains:

(i) Only such minimum control over the independent account controller as is consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf; or

(ii) If a limited partner or shareholder of a commodity pool the operator of which is exempt from registration under [§ 4.13](#) of this chapter, only such limited control as is consistent with its status.

(e) Independent account controller means a person--

(1) Who specifically is authorized by an eligible entity, as defined in paragraph (d) of this section, independently to control trading decisions on behalf of, but without the day-to-day direction of, the eligible entity;

(2) Over whose trading the eligible entity maintains only such minimum control as is consistent with its fiduciary responsibilities to fulfill its duty to supervise diligently the trading done on its behalf or as is consistent with such other legal rights or obligations which may be incumbent upon the eligible entity to fulfill;

(3) Who trades independently of the eligible entity and of any other independent account controller trading for the eligible entity;

(4) Who has no knowledge of trading decisions by any other independent account controller; and

(5) Who is registered as a futures commission merchant, an introducing broker, a commodity trading advisor, an associated person or any such registrant, or is a general partner of a commodity pool the operator of which is exempt from registration under [§ 4.13](#) of this chapter.

(f) Futures-equivalent means an option contract which has been adjusted by the previous day's risk factor, or delta coefficient, for that option which has been calculated at the close of trading and published by the applicable exchange under [§ 16.01](#) of this chapter.

(g) Long position means a long call option, a short put option or a long underlying futures contract.

(h) Short position means a short call option, a long put option or a short underlying futures contract.

(i) For the following commodities, the first delivery month of the "crop year" is as follows:

Commodity	Beginning delivery month
corn	December.
cotton	October.
oats	July.
soybeans	September.
soybean meal	October.
soybean oil	October.
wheat (spring)	September.
wheat (winter)	July.

[[53 FR 41571](#), Oct. 24, 1988; [56 FR 14315](#), April 9, 1991; [57 FR 44492](#), Sept. 28, 1992; 58 FR 17981, April 7, 1993; [64 FR 24046](#), May 5, 1999]

SOURCE: [52 FR 38923](#), Oct. 20, 1987; [57 FR 44492](#), Sept. 28, 1992; 58 FR 17981, April 7, 1993; 70 FR 24706, May 11, 2005, unless otherwise noted.

AUTHORITY: [7 U.S.C. 6a](#), [6c](#), and [12a\(5\)](#), as amended by the Commodity Futures Modernization Act of 2000, Appendix E of [Pub.L. 106-554](#), [114 Stat. 2763 \(2000\)](#).

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Title 17. Commodity and Securities Exchanges

[⌘] [Chapter I](#). Commodity Futures Trading Commission [⌘] [Part 150](#). Limits on Positions ([Refs & Annos](#)) → **§ 150.2 Position limits.**

No person may hold or control positions, separately or in combination, net long or net short, for the purchase or sale of a commodity for future delivery or, on a futures-equivalent basis, options thereon, in excess of the following:

Speculative Position Limits			
[In contract units]			
Contract	Spot month	Single month	All months
Chicago Board of Trade			
Corn and Mini-Corn ^[FN1]	600	13,500	22,000
Oats	600	1,400	2,000
Soybeans and Mini-Soybeans ^[FN1]	600	6,500	10,000
Wheat and Mini-Wheat ^[FN1]	600	5,000	6,500
Soybean Oil	540	5,000	6,500
Soybean Meal	720	5,000	6,500
Minneapolis Grain Exchange			
Hard Red Spring Wheat	600	5,000	6,500
New York Board of Trade			
Cotton No. 2	300	3,500	5,000
Kansas City Board of Trade			
Hard Winter Wheat	600	5,000	6,500

^[FN1] For purposes of compliance with these limits, positions in the regular sized and mini-sized contracts shall be aggregated.

[[58 FR 17982](#), April 7, 1993; [64 FR 24047](#), May 5, 1999; [70 FR 24706](#), May 11, 2005]

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SOURCE: [52 FR 38923](#), Oct. 20, 1987; [57 FR 44492](#), Sept. 28, 1992; 58 FR 17981, April 7, 1993; [70 FR 24706](#), May 11, 2005, unless otherwise noted.

AUTHORITY: [7 U.S.C. 6a](#), [6c](#), and [12a\(5\)](#), as amended by the Commodity Futures Modernization Act of 2000, Appendix E of [Pub.L. 106-554](#), [114 Stat. 2763 \(2000\)](#).

17 C. F. R. § 150.2, 17 CFR § 150.2

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Title 17. Commodity and Securities Exchanges

[Ⓝ] [Chapter I](#). Commodity Futures Trading Commission [Ⓝ] [Part 150](#). Limits on Positions ([Refs & Annos](#))**→ § 150.3 Exemptions.**

(a) Positions which may exceed limits. The position limits set forth in [§ 150.2](#) of this part may be exceeded to the extent such position are:

(1) Bona fide hedging transactions as defined in [§ 1.3\(z\)](#) of this chapter;

(2) [Reserved]

(3) Spread or arbitrage positions between single months of a futures contract and/or, on a futures-equivalent basis, options thereon, outside of the spot month, in the same crop year; provided however, That such spread or arbitrage positions, when combined with any other net positions in the single month, do not exceed the all-months limit set forth in [§ 150.2](#); or

(4) Carried for an eligible entity as defined in § 150.1(d), in the separate account or accounts of an independent ac-

count controller, as defined in [§ 150.1\(e\)](#), and not in the spot month if there is a position limit which applies to individual trading months during their expiration; Provided, however, That the overall positions held or controlled by each such independent account controller may not exceed the limits specified in [§ 150.2](#).

(i) Additional Requirements for Exemption of Affiliated Entities. If the independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must:

(A) Have, and enforce, written procedures to preclude the affiliated entities from having knowledge of, gaining access to, or receiving data about, trades of the other. Such procedures must include document routing and other procedures or security arrangements, including separate physical locations, which would maintain the independence of their activities; provided, however, That such procedures may provide for the disclosure of information which is reasonably necessary for an eligible entity to maintain the level of control consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf;

(B) Trade such accounts pursuant to

separately-developed and independent trading systems;

(C) Market such trading systems separately; and

(D) Solicit funds for such trading by separate Disclosure Documents that meet the standards of [§ 4.24](#) or [§ 4.34](#) of this chapter, as applicable, where such Disclosure Documents are required under part 4 of this chapter.

(ii) [Reserved]

(b) Call for information. Upon call by the Commission, the Director of the Division of Market Oversight or the Director's delegee, any person claiming an exemption from speculative position limits under this section must provide to the Commission such information as specified in the call relating to the positions owned or controlled by that person; trading done pursuant to the claimed exemption; the futures, options or cash market positions which support the claim of exemption; and the relevant business relationships supporting a claim of exemption.

[[53 FR 41571](#), Oct. 24, 1988; [56 FR 14315](#), April 9, 1991; [57 FR 44492](#), Sept. 28, 1991; [58 FR 17982](#), April 7, 1993; [60 FR 38193](#), July 25, 1995; 67 FR 62353, Oct. 7, 2002]

SOURCE: [52 FR 38923](#), Oct. 20, 1987; [57 FR 44492](#), Sept. 28, 1992; 58 FR 17981, April 7, 1993; 70 FR 24706, May 11, 2005, unless otherwise noted.

AUTHORITY: [7 U.S.C. 6a](#), [6c](#), and [12a\(5\)](#), as amended by the Commodity Futures Modernization Act of 2000, Appendix E of [Pub.L. 106-554](#), [114 Stat. 2763 \(2000\)](#).

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▣ [Chapter I](#). Commodity Futures Trading Commission

▣ [Part 150](#). Limits on Positions ([Refs & Annos](#))

→ § 150.4 Aggregation of positions.

(a) Positions to be aggregated. The position limits set forth in § 510.2 of this part shall apply to all positions in accounts for which any person by power of attorney or otherwise directly or indirectly holds positions or controls trading or to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding the same as if the positions were held by, or the trading of the position were done by, a single individual.

(b) Ownership of accounts. For the purpose of applying the position limits set forth in § 510.2, except for the ownership interest of limited partners, shareholders, members of a limited liability company, beneficiaries of a trust or similar type of pool participant in a commodity pool subject to the provisos set forth in paragraph (c) of this section, any trader holding positions in more than one account, or holding accounts or positions in which the trader by power of attorney or otherwise directly or indirectly has a 10% or

greater ownership or equity interest, must aggregate all such accounts or positions.

(c) Ownership by limited partners, shareholders or other pool participants. For the purpose of applying the position limits set forth in [§ 150.2](#):

(1) A commodity pool operator having ownership or equity interest of 10% or greater in an account or positions as a limited partner, shareholder or other similar type of pool participant must aggregate those accounts or positions with all other accounts or positions owned or controlled by the commodity pool operator;

(2) A trader that is a limited partner, shareholder or other similar type of pool participant with an ownership or equity interest of 10% or greater in a pooled account or positions who is also a principal or affiliate of the operator of the pooled account must aggregate the pooled account or positions with all other accounts or positions owned or controlled by that trader, provided, however, that the trader need not aggregate such pooled positions or accounts if:

(i) The pool operator has, and enforces, written procedures to preclude the trader from having knowledge of, gaining access to, or receiving data about the trading or positions of the pool;

(ii) The trader does not have direct, day-

to-day supervisory authority or control over the pool's trading decisions; and

(iii) The trader, if a principal of the commodity pool operator, maintains only such minimum control over the commodity pool operator as is consistent with its responsibilities as a principal and necessary to fulfill its duty to supervise the trading activities of the commodity pool;

(3) Each limited partner, shareholder, or other similar type of pool participant having an ownership or equity interest of 25% or greater in a commodity pool the operator of which is exempt from registration under [§ 4.13](#) of this chapter must aggregate the pooled account or positions with all other accounts or positions owned or controlled by that trader.

(d) Trading control by futures commission merchants. The position limits set forth in [§ 150.2](#) of this part shall be construed to apply to all positions held by a futures commission merchant or its separately organized affiliates in a discretionary account, or in an account which is part of, or participates in, or receives trading advice from a customer trading program of a futures commission merchant or any of the officers, partners, or employees of such futures commission merchant or its separately organized affiliates, unless:

(1) A trader other than the futures commission merchant or the affiliate directs trading in such an account;

(2) The futures commission merchant or the affiliate maintains only such minimum control over the trading in such an account as is necessary to fulfill its duty to supervise diligently trading in the account; and

(3) Each trading decision of the discretionary account or the customer trading program is determined independently of all trading decisions in other accounts which the futures commission merchant or the affiliate holds, has a financial interest of 10% or more in, or controls.

(e) Call for information. Upon call by the Commission, the Director of the Division of Market Oversight or the Director's delegatee, any person claiming an exemption under paragraphs (c) or (d) of this section must provide to the Commission such information as specified in the call relating to the positions owned or controlled by that person, trading done pursuant to the claimed exemption, or the relevant business relationships supporting a claim of exemption.

[[64 FR 24047](#), May 5, 1999; 67 FR 62353, Oct. 7, 2002]

SOURCE: [52 FR 38923](#), Oct. 20, 1987; 57 FR 44492, Sept. 28, 1992; 58 FR 17981, April 7, 1993; 70 FR 24706, May 11, 2005, unless otherwise noted.

AUTHORITY: [7 U.S.C. 6a](#), [6c](#), and [12a\(5\)](#), as amended by the Commodity Futures Modernization Act of 2000, Appendix E of

[Pub.L. 106-554, 114 Stat. 2763 \(2000\).](#)

17 C. F. R. § 150.4, 17 CFR § 150.4

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Title 17. Commodity and Securities Exchanges

[⌘] [Chapter I](#). Commodity Futures Trading Commission [⌘] [Part 150](#). Limits on Positions ([Refs & Annos](#))**→ § 150.5 Exchange-set speculative position limits.**

(a) Exchange limits. Each contract market as a condition of designation under part 5, appendix A, of this chapter shall be bylaw, rule, regulation, or resolution limit the maximum number of contracts a person may hold or control, separately or in combination, net long or net short, for the purchase or sale of a commodity for future delivery or, on a futures-equivalent basis, options thereon. This section shall not apply to a contract market for which position limits are set forth in [§ 150.2](#) of this part or for a futures or option contract market on a major foreign currency, for which there is no legal impediment to delivery and for which there exists a highly liquid cash market. Nothing in this section shall be construed to prohibit a contract market from fixing different and separate position limits for different types of futures contracts based on the same commodity, or from fixing different position limits for different futures or for different delivery months, or from exempting positions which

are normally known in the trade as “spreads, straddles, or arbitrage,” or from fixing limits which apply to such positions which are different from limits fixed for other positions.

(b) Levels at designation. At the time of its initial designation, a contract market must provide for speculative position limit levels as follows:

(1) For physical delivery contracts, the spot month limit level must be no greater than one-quarter of the estimated spot month deliverable supply, calculated separately for each month to be listed, and for cash settled contracts, the spot month limit level must be no greater than necessary to minimize the potential for manipulation or distortion of the contract's or the underlying commodity's price;

(2) Individual nonspot or all-months-combined levels must be no greater than 1,000 contracts for tangible commodities other than energy products;

(3) Individual nonspot or all-months-combined levels must be no greater than 5,000 contracts for energy products and nontangible commodities, including contracts on financial products.

(c) Adjustments to levels. Contract markets may adjust their speculative limit levels as follows:

(1) For physical delivery contracts, the

spot month limit level must be no greater than one-quarter of the estimated spot month deliverable supply, calculated separately for each month to be listed, and for cash settled contracts, the spot month limit level must be no greater than necessary to minimize the potential for manipulation or distortion of the contract's or the underlying commodity's price; and

(2) Individual nonspot or all-months-combined levels must be no greater than 10% of the average combined futures and delta-adjusted option month-end open interest for the most recent calendar year up to 25,000 contracts with a marginal increase of 2.5% thereafter or be based on position sizes customarily held by speculative traders on the contract market, which shall not be extraordinarily large relative to total open positions in the contract, the breadth and liquidity of the cash market underlying each delivery month and the opportunity for arbitrage between the futures market and the cash market in the commodity underlying the futures contract.

(d) Hedge exemption.

(1) No exchange bylaw, rule, regulation, or resolution adopted pursuant to this section shall apply to bona fide hedging positions as defined by a contract market in accordance with [§ 1.3\(z\)\(1\)](#) of this chapter. Provided, however, that the contract market may limit bona fide hedging positions or any other positions which

have been exempted pursuant to paragraph (e) of this section which it determines are not in accord with sound commercial practices or exceed an amount which may be established and liquidated in an orderly fashion.

(2) Traders must apply to the contract market for exemption from its speculative position limit rules. In considering whether to grant such an application for exemption, contract markets must take into account the factors contained in paragraph (d)(1) of this section.

(e) Trader accountability exemption. Twelve months after a contract market's initial listing for trading or at any time thereafter, contract markets may submit for Commission approval under section 5a(a)(12) of the Act and [§ 1.41\(b\)](#) of this chapter a bylaw, rule, regulation, or resolution, substituting for the position limits required under paragraphs (a), (b) and (c) of this section an exchange rule requiring traders to be accountable for large positions as follows:

(1) For futures and option contracts on a financial instrument or product having an average open interest of 50,000 contracts and an average daily trading volume of 100,000 contracts and a very highly liquid cash market, an exchange bylaw, regulation or resolution requiring traders to provide information about their position upon request by the exchange;

(2) For futures and option contracts on a

financial instrument or product or on an intangible commodity having an average month-end open interest of 50,000 and an average daily volume of 25,000 contracts and a highly liquid cash market, an exchange bylaw, regulation or resolution requiring traders to provide information about their position upon request by the exchange and to consent to halt increasing further a trader's positions if so ordered by the exchange;

(3) For futures and option contracts on a tangible commodity, including but not limited to metals, energy products, or international soft agricultural products, having an average month-end open interest of 50,000 contracts and an average daily volume of 5,000 contracts and a liquid cash market, an exchange bylaw, regulation or resolution requiring traders to provide information about their position upon request by the exchange and to consent to halt increasing further a trader's positions if so ordered by the exchange, provided, however, such contract markets are not exempt from the requirement of paragraphs (b) or (c) that they adopt an exchange bylaw, regulation or resolution setting a spot month speculative position limit with a level no greater than one quarter of the estimated spot month deliverable supply;

(4) For purposes of this paragraph, trading volume and open interest shall be calculated by combining the month-end futures and its related option contract, on a delta-adjusted basis, for all months

listed during the most recent calendar year.

(f) Other exemptions. Exchange speculative position limits adopted pursuant to this section shall not apply to any position acquired in good faith prior to the effective date of any bylaw, rule, regulation, or resolution which specifies such limit or to a person that is registered as a futures commission merchant or as a floor broker under authority of the Act except to the extent that transactions made by such person are made on behalf of or for the account or benefit of such person. In addition to the express exemptions specified in this section, a contract market may propose such other exemptions from the requirements of this section consistent with the purposes of this section and shall submit such rules Commission review under section 5a(1)(12) of the Act and [§ 1.41\(b\)](#) of this chapter.

(g) Aggregation. In determining whether any person has exceeded the limits established under this section, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly controls trading shall be included with the positions held by such person; such limits upon positions shall apply to positions held by two or more person acting pursuant to an express or implied agreement or understanding, the same as if the positions were held by a single person.

[[64 FR 24048](#), May 5, 1999]

SOURCE: 52 FR 38923, Oct. 20, 1987; 57

FR 44492, Sept. 28, 1992; 58 FR 17981, April 7, 1993; 70 FR 24706, May 11, 2005, unless otherwise noted.

AUTHORITY: [7 U.S.C. 6a](#), [6c](#), and [12a\(5\)](#), as amended by the Commodity Futures Modernization Act of 2000, Appendix E of [Pub.L. 106-554, 114 Stat. 2763 \(2000\)](#).

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Title 17. Commodity and Securities Exchanges

[Ⓜ] [Chapter I](#). Commodity Futures Trading Commission [Ⓜ] [Part 150](#). Limits on Positions ([Refs & Annos](#))**→ § 150.6 Responsibility of contract markets.**

Nothing in this part shall be construed to affect any provisions of the Act relating to manipulation or corners nor to relieve any contract market or its governing board from responsibility under section 5(4) of the Act to prevent manipulation and corners.

[[59 FR 5528](#), Feb. 7, 1994]

SOURCE: [52 FR 38923](#), Oct. 20, 1987; 57 FR 44492, Sept. 28, 1992; 58 FR 17981, April 7, 1993; 70 FR 24706, May 11, 2005, unless otherwise noted.

AUTHORITY: [7 U.S.C. 6a](#), [6c](#), and [12a\(5\)](#), as amended by the Commodity Futures Modernization Act of 2000, Appendix E of [Pub.L. 106-554, 114 Stat. 2763 \(2000\)](#).

17 C. F. R. § 150.6, 17 CFR § 150.6

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Title 7. Agriculture

↖ [Chapter 1](#). Commodity Exchanges ([Refs & Annos](#))

→ **§ 7. Designation of boards of trade as contract markets**

* * * * *

(d) Core principles for contract markets

(5) Position limitations or accountability

To reduce the potential threat of market manipulation or congestion, especially during trading in the delivery month, the board of trade shall adopt position limitations or position accountability for speculators, where necessary and appropriate.

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Code of Federal Regulations [Currentness](#)

Title 17. Commodity and Securities Exchanges

↖ [Chapter I](#). Commodity Futures Trading Commission

↖ [Part 38](#). Designated Contract Markets ([Refs & Annos](#))

→ **Appendix B to Part 38--Guidance on, and Acceptable Practices in, Compliance with Core Principles**

* * * * *

Core Principle 5 of section 5(d) of the Act: POSITION LIMITATIONS OR ACCOUNTABILITY--To reduce the potential threat of market manipulation or congestion, especially during trading in the delivery month, the board of trade shall adopt position limitations or position accountability for speculators, where necessary and appropriate.

(a) Application guidance. [Reserved]

(b) Acceptable practices.

(1) In order to diminish potential problems arising from excessively large speculative positions, and to facilitate orderly liquidation of expiring futures contracts, markets may need to set limits on traders' positions for certain commodities. These position limits specifically may exempt bona fide hedging, permit other exemptions, or set limits differently by markets, by delivery months, or by time periods. For purposes of evaluating a contract market's speculative-limit program, the Commission considers the specified limit levels, aggregation policies, types of exemptions allowed, methods for monitoring compliance with the specified levels, and procedures for enforcement to deal with violations.

(2) Provisions concerning speculative position limits are set forth in part 150. In general, position limits are not necessary for markets where the threat of excessive speculation or manipulation is nonexistent or very low. Thus, contract markets do not need to adopt speculative position limits for futures markets on major foreign currencies, contracts based on certain financial instruments having very liquid and deep underlying cash markets, and contracts specifying cash settlement where the potential for distortion of such price is negligible. Where speculative position limits are necessary, acceptable speculative-limit levels typically should be set in terms of a trader's combined position in the futures contract plus its position in the related option contract (on a delta-adjusted basis).

(3) A contract market may provide for position accountability provisions in lieu of position limits for contracts on financial instruments, intangible commodities, or certain tangible commodities. Markets appropriate for position accountability rules include those with large open-interest, high daily trading volumes and liquid cash markets.

(4) Spot-month limits should be adopted for markets based on commodities having more limited deliverable supplies or where otherwise necessary to minimize the susceptibility of the market to manipulation or price distortions. The level of the spot limit for physical-delivery markets should be based upon an analysis of deliverable supplies and the history of spot-month liquidations. Spot-month limits for physical-delivery markets are appropriately set at no more than 25 percent of the estimated deliverable supply. For cash-settled markets, spot-month position limits may be necessary if the underlying cash market is small or illiquid such that traders can disrupt the cash market or otherwise influence the cash-settlement price to profit on a futures position. In these cases, the limit should be set at a level that minimizes the potential for manipulation or distortion of the futures contract's or the underlying commodity's price. Markets may elect not to provide all-months-combined and non-spot month limits.

(5) Contract markets should have aggregation rules that apply to those accounts under common control, those with common ownership, i.e., where there is a ten percent or greater financial interest, and those traded according to an express or implied agreement. Contract markets will be

permitted to set more stringent aggregation policies. For example, one major board of trade has adopted a policy of automatically aggregating the position of members of the same household, unless they were granted a specific waiver. Contract markets may grant exemptions to their position limits for bona fide hedging (as defined in [§ 1.3\(z\)](#) of this chapter) and may grant exemptions for reduced risk positions, such as spreads, straddles and arbitrage positions.

(6) Contract markets with many products with large numbers of traders should have an automated means of detecting traders' violations of speculative limits or exemptions. Contract markets should monitor the continuing appropriateness of approved exemptions by periodically reviewing each trader's basis for exemption or requiring a reapplication.

(7) Contract markets should establish a program for effective enforcement of these limits. Contract markets should use their LTRS to monitor and enforce daily compliance with position limit rules. The Commission notes that a contract market may allow traders to periodically apply to the contract market for an exemption and, if appropriate, be granted a position level higher than the applicable speculative limit. The contract market should establish a program to monitor approved exemptions from the limits. The position levels granted under such hedge exemptions generally are based upon the trader's commercial activity in related markets. Contract markets may allow a brief grace period where a qualifying trader may exceed speculative limits or an existing exemption level pending the submission and approval of appropriate justification. A contract market should consider whether it wants to restrict exemptions during the last several days of trading in a delivery month. Acceptable procedures for obtaining and granting exemptions include a requirement that the contract market approve a specific maximum higher level.

(8) Finally, an acceptable speculative limit program should have specific policies for taking regulatory action once a violation of a position limit or exemption is detected. The contract market policy should consider appropriate actions, regardless of whether the violation is by a non-member or member, and should address traders carrying accounts through more than one intermediary.

(9) A violation of contract market position limits that have been approved by the Commission is also a violation of section 4a(e) of the Act. The Commission will consider for approval all contract market position limit rules.