Comparison of the CFTC Core Principles for Derivative Contract Markets

and the FSA Recognition Requirements for Recognized Investment Exchanges[1]

This chart is divided into two columns. The first column identifies a specific CFTC *core principle*. The second column identifies an FSA *recognition requirement* relevant to the CFTC principle in the left column for purposes of comparison. Where an FSA recognition requirement applies to more than one CFTC principle, the FSA provision will appear in multiple places in this chart.

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Core Principle 1 *In General* – To maintain the designation of a board of trade as a contract market, the board of trade shall comply with the core principles specified in this subsection. The board of trade shall have reasonable discretion in establishing the manner in which it complies with the core principles.	The Financial Services Authority (FSA) Handbook sets out guidance on complying with the recognition requirements for UK "recognized bodies" (*i.e.*, recognized investment exchanges (RIE) and recognized clearing houses (RCH) set forth in regulations enacted under the Financial Services and Markets Act 2000. References to the recognition provisions of the Handbook are abbreviated as "Rec." The Handbook is located at: http://fsahandbook.info/FSA/html/handbook/REC/2/1 **Rec. 2.1.2.** These recognition requirements must be satisfied by applicants for recognized body status before recognition is granted and by all UK recognized bodies at all times while they are recognized. In addition the *MiFID implementing requirements* must be satisfied by applicants for *UK RIE* status before recognition is granted and by all *UK RIEs* at all times while they are recognized. The same standards apply both on initial recognition and throughout the period *recognized body* status is held. **Note:** MiFID refers to the EU Commission Regulation (EC) 1287/2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive. **Rec. 2.2.1** In considering whether a UK recognized body or applicant satisfies recognition requirements applying to it under these recognition requirements

[1] This comparative analysis was prepared by CFTC staff and is restricted for use by Commission employees. The views expressed herein do not necessarily reflect the views of the CFTC.

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	regulations, the FSA may take into account all relevant circumstances including the constitution of the person concerned and its regulatory provisions and practices within the meaning of section 302(1) of the Act. **Rec. 2.3.9** The FSA recognizes that UK recognized bodies may wish to satisfy the recognition requirements in different ways. The FSA does not prescribe any particular approach to calculating financial resources or to assessing their adequacy. It is willing to discuss with each UK recognized body the most appropriate way for it to meet the recognition requirements and each UK recognized body will need to be able to show the FSA that its financial resources are at all times sufficient to meet the recognition requirement.
Core Principle 2 *Compliance with Rules* – The board of trade shall monitor and enforce compliance with the rules of the contract market, including the terms and conditions of any contracts to be traded and any limitations on access to the contract market.	**Rec. 2.14.1** The UK RIE must ensure that appropriate procedures are adopted for it to make rules, for keeping its rules under review and for amending them. **Rec. 2.15.1** (1) The UK RIE must have - (a) effective arrangements (which include the monitoring of transactions effected on the UK RIE) for monitoring and enforcing compliance with its rules, including rules in relation to the provision of clearing services in respect of transactions other than transactions effected on the UK RIE; . . . (c) effective arrangements for monitoring transactions effected on the UK RIE in order to identify disorderly trading conditions. **Rec. 2.6.1.** The UK RIE must ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to

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	investors. **Rec. 2.6.2** . . . [t]he UK RIE must ensure that it has transparent and non-discretionary rules and procedures – (i) to provide for fair and orderly trading, and (ii) to establish objective criteria for the efficient execution of orders. **Rec. 2.6.28** In determining whether a UK RIE is ensuring that business conducted by means of its facilities is conducted in an orderly manner (and so as to afford proper protection to investors), the FSA may have regard to the extent to which the UK RIE's rules and procedures: (1) are consistent with the Code of Market Conduct (see MAR 1); (2) prohibit abusive trading practices or the deliberate reporting or publication of false information about trades; and (3) prohibit or prevent: (a) trades in which a party is improperly indemnified against losses; (b) trades intended to create a false appearance of trading activity ("wash trades"); (c) cross trades executed for improper purposes;

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	(d) improperly prearranged or pre-negotiated trades; (e) trades intended to assist or conceal any potentially identifiable trading abuse ("accommodation trades"); and (f) trades which one party does not intend to close out or settle. **Rec. 2.10.1** The UK RIE must ensure that- appropriate measures (including the monitoring of transactions effected on the UK RIE) are adopted to reduce the extent to which the UK RIE's facilities can be used for a purpose connected with market abuse or financial crime, and to facilitate their detection and monitor their incidence; **Rec. 2.10.3.** In determining whether a UK recognized body's measures are appropriate to reduce the extent to which its facilities can be used for a purpose connected with market abuse or financial crime, to facilitate their detection and to monitor their incidence, the FSA may have regard to: (1) whether the rules of the UK recognized body enable it to disclose any information to the FSA, or other appropriate bodies involved in the detection, prevention or pursuit of market abuse or financial crime in the United Kingdom or overseas; and (2) whether the arrangements, resources, systems, and procedures of the UK recognized body enable it to: (a) monitor the use made of its facilities so as to obtain information regarding possible patterns of normal,

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	abnormal or improper use of those facilities; (b) detect possible instances of market abuse and financial crime, for example, by detecting suspicious patterns in the use of its facilities; (c) communicate information about market abuse and financial crime promptly and accurately to appropriate organizations; and (d) cooperate with all relevant bodies in the prevention, investigation and pursuit of market abuse and financial crime. **Rec. 2.12.2E** 2. Where the financial instruments concerned are of a kind listed in Sections C (5), (6), (7) or (10) of Annex I to MiFID,[2] point (b) of paragraph 1 shall not apply if the following conditions are satisfied: .... (b) the regulated market must ensure that appropriate supervisory arrangements are in place to monitor trading and settlement in such financial instruments; **Rec. 3.14.2** Where a UK RIE proposes to admit to trading (or to cease to admit to trading) by means of its facilities: (1) a specified investment (other than a security or an option in relation to a security); or (2) a type of security or a type of option in relation to a

[2] *See* Appendix I for Section C of Annex I to MiFID.

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	security; it must give the FSA notice of that event, and the information specified for the purposes of this rule in REC 3.14.6 R to the FSA, at the same time as that proposal is first formally communicated to its members or shareholders (or any group or class of them). **Rec. 3.14.6** The following information is specified for the purposes of REC 3.14.2 R and REC 3.14.3 R [applies to clearing]: (1) a description of the specified investment to which the proposal relates; (2) where that specified investment is a derivative, the proposed terms of that derivative; and (3) in the case of a UK RIE which is admitting that specified investment to trading, the name of any RCH which will provide clearing services in respect of that specified investment under an agreement with that UK RIE.
Core Principle 3 *Contracts Not Readily Subject to Manipulation* – The board of trade shall list on the contract market only contracts that are not readily susceptible to manipulation.	**Rec. 2.12.2A** (2) The rules must ensure that all financial instruments admitted to trading on any regulated market operated by the UK RIE are capable of being traded in a fair, orderly and efficient manner. (3) The rules must ensure that . . .

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	(b) all contracts for derivatives admitted to trading on a regulated market operated by the UK RIE are designed so as to allow for their orderly pricing as well as for the existence of effective settlement conditions. (7) The UK RIE must maintain arrangements regularly to review whether the financial instruments admitted to trading on a regulated market operated by it comply with the admission requirements of these instruments. **Derivatives** **Rec. 2.12.2E** (1) When admitting to trading a financial instrument of a kind listed in points 4 to 10 of Section C of Annex I to MiFID,[3] regulated markets shall verify that the following conditions are satisfied: (a) the terms of the contract establishing the financial instrument must be clear and unambiguous, and enable a correlation between the price of the financial instrument and the price or other value measure of the underlying; (b) the price or other value measure of the underlying must be reliable and publicly available; (c) sufficient information of a kind needed to value the derivative must be publicly available; (d) the arrangements for determining the settlement price of the contract must be such that the price properly reflects the price or other value measure of the underlying; (e) where the settlement of the derivative requires or

[3] *Id.*

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	provides for the possibility of the delivery of an underlying security or asset rather than cash settlement, there must be adequate arrangements to enable market participants to obtain relevant information about that underlying, as well as adequate settlement and delivery procedures for the underlying. (2) Where the financial instruments concerned are of a kind listed in Sections C (5), (6), (7) or (10) of Annex I to MiFID,[4] point (b) of paragraph 1 shall not apply if the following conditions are satisfied: (a) the contract establishing that instrument must be likely to provide a means of disclosing to the market, or enabling the market to assess, the price or other value measure of the underlying, where the price or value measure is not otherwise publicly available; (b) the regulated market must ensure that appropriate supervisory arrangements are in place to monitor trading and settlement in such financial instruments; (c) the regulated market must ensure that settlement and delivery, whether physical delivery or by cash settlement, can be effected in accordance with the contract terms and conditions of those financial instruments.
Core Principle 4 *Monitoring of Trading* – The board of trade shall monitor trading to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process.	**Rec. 2.6.1.** The UK RIE must ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors.

[4] *Id.*

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	Rec. 2.6.2 . . . [t]he UK RIE must ensure that it has transparent and non-discretionary rules and procedures – (i) to provide for fair and orderly trading, and (ii) to establish objective criteria for the efficient execution of orders. **Rec. 2.10.1** [T]he UK RIE must ensure that- appropriate measures (including the monitoring of transactions effected on the UK RIE) are adopted to reduce the extent to which the UK RIE's facilities can be used for a purpose connected with market abuse or financial crime, and to facilitate their detection and monitor their incidence; **Rec. 2.10.3.** In determining whether a UK recognized body's measures are appropriate to reduce the extent to which its facilities can be used for a purpose connected with market abuse or financial crime, to facilitate their detection and to monitor their incidence, the FSA may have regard to: (1) whether the rules of the UK recognized body enable it to disclose any information to the FSA, or other appropriate bodies involved in the detection, prevention or pursuit of market abuse or financial crime in the United Kingdom or overseas; and (2) whether the arrangements, resources, systems, and procedures of the UK recognized body enable it to: (a) monitor the use made of its facilities so as to obtain information regarding possible patterns of normal, abnormal or improper use of those facilities;

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	(b) detect possible instances of market abuse and financial crime, for example, by detecting suspicious patterns in the use of its facilities; (c) communicate information about market abuse and financial crime promptly and accurately to appropriate organizations; and (d) cooperate with all relevant bodies in the prevention, investigation and pursuit of market abuse and financial crime. **Rec. 2.15.1** (1) The UK RIE must have - (a) effective arrangements (which include the monitoring of transactions effected on the UK RIE) for monitoring and enforcing compliance with its rules, including rules in relation to the provision of clearing services in respect of transactions other than transactions effected on the UK RIE; . . . (c) effective arrangements for monitoring transactions effected on the UK RIE in order to identify disorderly trading conditions.
Core Principle 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.	**Note:** The FSA does not require the establishment of position limits or accountability levels. Rather, it requires all exchanges to ensure that they operate fair and orderly markets. See REC. 2.6.1. and 2. As a means of satisfying those requirements, exchanges are expected to operate market monitoring and supervision functions, the responsibilities of which include position management. As a result, UK exchanges manage positions in their markets on a real time basis and use authority, provided in their rules, to ensure that the exchange members reduce to an acceptable level any

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	positions which potentially jeopardize the orderly and fair operation of their markets. **Rec. 2.6.1.** The UK RIE must ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors. **Rec. 2.6.2** . . . [t]he UK RIE must ensure that it has transparent and non-discretionary rules and procedures – (i) to provide for fair and orderly trading, and (ii) to establish objective criteria for the efficient execution of orders. **Rec. 3.22** Where a UK RIE decides to: (1) restrict the open position on any of the contracts of a member; or (2) issue instructions to a member to close out its positions on any contracts; that UK RIE must immediately give the FSA notice of that event, and the member's name, the nature and size of any position to be restricted or closed out and the reasons for the UK RIE's decision. **Rec. 4.2D.1** (1) [T]he FSA may for the purpose of protecting:

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	(a) the interests of investors; or (b) the orderly functioning of the financial markets; require a UK RIE to suspend or remove a financial instrument from trading.
Core Principle 6 *Emergency Authority* –The board of trade shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission, where necessary and appropriate, including the authority to – (A) liquidate or transfer open positions in any contract; (B) suspend or curtail trading in any contract; and (C) require market participants in any contract to meet special margin requirements.	**Rec. 2.17.2** **Paragraph 10 (Default rules in respect of market contracts)** (1) The UK RIE must have default rules which, in the event of a member of the UK RIE being or appearing to be unable to meet his obligations in respect of one or more market contracts, enable action to be taken in respect of unsettled market contracts to which he is party. (2) The default rules may authorize the taking of the same or similar action in relation to a member who appears to be likely to become unable to meet his obligations in respect of one or more market contracts. (3) The default rules must enable action to be taken in respect of all unsettled market contracts, other than those entered into for the purposes of or in connection with the provision of clearing services for the UK RIE. **Paragraph 11 (Content of rules)** (1) This paragraph applies as regards contracts falling within section 155(2)(a) of the Companies Act 1989. (2) The default rules must provide - (a) for all rights and liabilities between those party as principal to unsettled market contracts to which the defaulter is party as principal to be discharged and for there to be paid

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	by one party to the other such sum of money (if any) as may be determined in accordance with the default rules; (b) for the sums so payable in respect of different contracts between the same parties to be aggregated or set off so as to produce a net sum; and (c) for the certification by or on behalf of the UK RIE of the net sum payable or, as the case may be, of the fact that no sum is payable. (3) The reference in sub-paragraph (2) to rights and liabilities between those party as principal to unsettled market contracts does not include rights and liabilities - (a) in respect of margin; or (b) arising out of a failure to perform a market contract. (4) The default rules may make the same or similar provision, in relation to designated non-members designated in accordance with the procedures mentioned in sub-paragraph (5), as in relation to members of the UK RIE. (5) If such provision is made as is mentioned in sub-paragraph (4), the UK RIE must have adequate procedures - (a) for designating the persons, or descriptions of person, in respect of whom action may be taken; (b) for keeping under review the question which persons or descriptions of person should be or remain so designated; and (c) for withdrawing such designation. (6) The procedures must be designed to secure that - (a) a person is not, or does not remain, designated if failure by him to meet his obligations in respect of one or more market contracts would be unlikely adversely to affect the operation of the market; and (b) a description of persons is not, or does not remain, designated if failure by a person of that description to meet his obligations in respect of one or more market contracts would be unlikely adversely to affect the operation of the market. (7) The UK RIE must have adequate arrangements -

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	(a) for bringing a designation or withdrawal of designation to the attention of the person or description of persons concerned; and (b) where a description of persons is designated, or the designation of a description of persons is withdrawn, for ascertaining which persons fall within that description. **Rec. 3.15.1** (1) The purpose of REC 3.15.2 R to REC 3.15.5 G is to enable the FSA to obtain information where a UK recognized body decides to suspend the provision of its services in relation to particular investments. Planned changes to the provision of services should be notified to the FSA under REC 3.14. (2) REC 3.15.6 R to REC 3.15.7 R provide for notification to the FSA where a UK recognized body is unable to operate or provide its facilities for reasons outside its control or where it decides to extend its hours of operation in an emergency. **Rec. 3.15.2** Where, for any reason, an RIE: (1) suspends trading in any derivative (other than an option in relation to a security), in any type of security or in any type of option in relation to a security; or (2) temporarily calls a trading halt in respect of any type of security or in any type of option in relation to a security; it must immediately give the FSA notice of that event, particulars of that derivative, type of security or type of option in relation to a security, as the case may be, and the reasons for the action taken.

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	Rec. 3.15.2A When a UK RIE suspends trading on a regulated market in any financial instrument, it must immediately give the FSA notice of that event and relevant information including particulars of that financial instrument and the reasons for the action taken. **Rec. 3.15.3** Where a UK recognized body suspends providing clearing services generally in respect of any derivative (other than an option in relation to a security), type of security or type of option in relation to a security, it must immediately give the FSA notice of that event, particulars of that derivative, type of security or type of option in relation to a security, as the case may be, and the reasons for the action taken. **Rec. 3.15.4** Where a UK recognized body suspends any arrangements it makes for the safeguarding and administration of any type of asset belonging to any other person (other than an undertaking in the same group), that UK recognized body must immediately give the FSA notice of that event, particulars of that type of asset and the reasons for the action taken. **Rec. 3.22** Where a UK RIE decides to: (1) restrict the open position on any of the contracts of a member; or (2) issue instructions to a member to close out its positions on any contracts; that UK RIE must immediately give the FSA notice of that event, and the member's name, the nature and size of any position to be restricted or closed out and the reasons for the UK RIE's decision.

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	Rec. 4.2D.3 Under section 313C(1) of the Act, if the FSA exercises its power to require a UK RIE to suspend or remove a financial instrument from trading, it must as soon as reasonably practicable: (1) publish its decision in such manner as it considers appropriate; and (2) inform the competent authorities of all other EEA States of its decision. **Rec. 4.5.2** The default rules are designed to ensure that rights and liabilities between the defaulter and any counterparty to an unsettled market contract are discharged, and for there to be paid between the defaulter and each counterparty one net sum. The Companies Act 1989 contains provisions which protect action taken under default rules from the normal operation of insolvency law which might otherwise leave this action open to challenge by a relevant office-holder. **Rec. 4.5.3** The Companies Act 1989 also gives the FSA powers to supervise the taking of action under default rules. Under section 166 of the Companies Act 1989 (Powers of the FSA to give directions) (see REC 4.5.4 G), the FSA may direct a UK recognized body to take, or not to take, action under its default rules. Before exercising these powers the FSA must consult the recognized body concerned. The FSA may also exercise these powers if a relevant office-holder applies to it under section 167 of the Companies Act 1989 (Application to determine whether default proceedings to be taken) (see REC 4.5.9 G).

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	Rec. 4.5.4 **The Companies Act 1989: section 166** The FSA may issue a "positive" direction (to take action) under section 166(2)(a) of the Companies Act 1989: Where in any case a UK RIE or UK RCH has not taken action under its default rules- if it appears to the FSA that it could take action, the FSA may direct it to do so, but under section 166(3)(a) of the Companies Act 1989: Before giving such a direction the FSA shall consult the UK RIE or UK RCH in question; and the FSA shall not give a direction unless the FSA is satisfied, in the light of that consultation that failure to take action would involve undue risk to investors or other participants in the market, The FSA may issue a "negative" direction (not to take action) under section 166(2)(b) of the Companies Act 1989: Where in any case a UK RIE or UK RCH has not taken action under its default rules - if it appears to the FSA that it is proposing to take or may take action, the FSA may direct it not to do so. but under section 166(3)(b) of the Companies Act 1989: Before giving such a direction the FSA shall consult the UK RIE or UK RCH in question; and the FSA shall not give a direction unless the FSA is satisfied, in the light of that consultation that the taking of action would be premature or otherwise undesirable in the interests of investors or other participants in the market. **Rec. 4.5.5.**

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	The FSA's view is that the exercise of these powers will only be justified in exceptional circumstances. The most likely case in which the FSA would consider exercising them is if there were a need to coordinate action by different UK recognized bodies because, for example: (1) the likelihood of a default may not be apparent to all UK recognized bodies; or (2) there was a need to avoid premature default action by one UK recognized body; or (3) significantly different settlement prices had been fixed by different UK recognized bodies.
Core Principle 7 *Availability of General Information* – The board of trade shall make available to market authorities, market participants, and the public information concerning – (A) the terms and conditions of the contracts of the contract market; and (B) the mechanisms for executing transactions on or through the facilities of the contract market.	**Rec. 2.12.2E** 1. When admitting to trading a financial instrument of a kind listed in points 4 to 10 of Section C of Annex I to MiFID,[5] regulated markets shall verify that the following conditions are satisfied: (a) the terms of the contract establishing the financial instrument must be clear and unambiguous, and enable a correlation between the price of the financial instrument and the price or other value measure of the underlying; (b) the price or other value measure of the underlying must be reliable and publicly available; (c) sufficient information of a kind needed to value the derivative must be publicly available; (d) the arrangements for determining the settlement price of the contract must be such that the price properly reflects the price or other value measure of the underlying; (e) where the settlement of the derivative requires or provides for the possibility of the delivery of an underlying security or asset rather than cash settlement, there must be

[5] *Id.*

CFTC CORE PRINCIPLE	ESA RECOGNITION REQUIREMENT
	adequate arrangements to enable market participants to obtain relevant information about that underlying, as well as adequate settlement and delivery procedures for the underlying. 2. Where the financial instruments concerned are of a kind listed in Sections C (5), (6), (7) or (10) of Annex I to MiFID,[6] point (b) of paragraph 1 shall not apply if the following conditions are satisfied: (a) the contract establishing that instrument must be likely to provide a means of disclosing to the market, or enabling the market to assess, the price or other value measure of the underlying, where the price or value measure is not otherwise publicly available; (b) the regulated market must ensure that appropriate supervisory arrangements are in place to monitor trading and settlement in such financial instruments; (c) the regulated market must ensure that settlement and delivery, whether physical delivery or by cash settlement, can be effected in accordance with the contract terms and conditions of those financial instruments. **Rec. 2.6.2** . . . [t]he UK RIE must ensure that it has transparent and non-discretionary rules and procedures – (i) to provide for fair and orderly trading, and (ii) to establish objective criteria for the efficient execution of orders. **Rec. 2.12.11** In determining whether appropriate arrangements have been made to make relevant information available to persons engaged in

[6] *Id.*

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	dealing in specified investments admitted to trading on the UK RIE, the FSA may have regard to: (1) the extent to which members and clients for whom they act are able to obtain information about those specified investments, either through accepted channels for dissemination of information or through other regularly and widely accessible communication media, to make a reasonably informed judgment about the value and the risks associated with those specified investments in a timely fashion; (2) what restrictions, if any, there are on the dissemination of relevant information to the UK RIE's members and clients for whom they act; and (3) whether relevant information is or can be kept to restricted groups of persons in such a way as to facilitate or encourage dealing in contravention of the Code of Market Conduct (see MAR 1). **Rec. 3.14.2** Where a UK RIE proposes to admit to trading (or to cease to admit to trading) by means of its facilities: (1) a specified investment (other than a security or an option in relation to a security); or (2) a type of security or a type of option in relation to a security; it must give the FSA notice of that event, and the information specified for the purposes of this rule in REC 3.14.6 R to the FSA, at the same time as that proposal is first formally communicated to its members or shareholders (or any group or class of them).

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	Rec. 3.14.6 The following information is specified for the purposes of REC 3.14.2 R and REC 3.14.3 R [pertains to clearing]: (1) a description of the specified investment to which the proposal relates; (2) where that specified investment is a derivative, the proposed terms of that derivative; and (3) in the case of a UK RIE which is admitting that specified investment to trading, the name of any RCH which will provide clearing services in respect of that specified investment under an agreement with that UK RIE.
Core Principle 8 *Daily Publication of Trading Information* – The board of trade shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts on the contract market.	**Rec. 2.6.3.** The UK RIE must make arrangements for (a) current bid and offer prices for shares and (b) the depth of trading interest in shares at the price which are advertised through its systems to be made available to the public on reasonable commercial terms and on a continuous basis during normal trading hours . . . . **Rec. 2.6.4.** The UK RIE must make arrangements for the price, volume and time of transactions executed in shares to be made available to the public as soon as possible after the time of the transaction on reasonable commercial terms, subject to the requirements contained in Chapter IV of the MiFID regulation.
Core Principle 9 *Execution of Transactions* – The board of trade shall provide a competitive, open, and efficient market and mechanism for	**Rec. 2.7.1.** The UK RIE must ensure that access to the UK RIE's facilities is

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executing transactions.	subject to criteria designed to protect the orderly functioning of the interests of investors and is in accordance with paragraph 7B. **Rec. 2.6.1.** The UK RIE must ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors. **Rec. 2.6.2.** . . . [t]he UK RIE must ensure that it has transparent and non-discretionary rules and procedures – (i) to provide for fair and orderly trading, and (ii) to establish objective criteria for the efficient execution of orders.
Core Principle 10 *Trade Information* – The board of trade shall maintain rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the contract market to use the information for purposes of assisting in the prevention of customer and market abuses and providing evidence of any violations of the rules of the contract market.	**Rec.2.9.1** The UK RIE must ensure that satisfactory arrangements are made for recording transactions effected on the UK RIE, and transactions (whether or not effected on the UK RIE), which are cleared or to be cleared by means of its facilities. **Rec. 2.9.3** In determining whether a UK recognized body has satisfactory arrangements for recording the transactions effected on, or cleared or to be cleared by means of, its facilities, the FSA may have regard to: (1) whether the UK recognized body has arrangements for creating, maintaining and safeguarding an audit trail of transactions for at least three years (five years in respect of transactions carried out by members who are not incorporated in the United Kingdom if the UK recognized body is a regulated

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	market); and (2) the type of information recorded and the extent to which the record includes details for each transaction of: (a) the name of the investment (and, if relevant, the underlying asset) and the price, quantity and date of the transaction; (b) the identities and, where appropriate, the roles of the counterparties to the transaction; (c) if the UK recognized body's rules make provision for transactions to be effected, cleared or to be cleared in more than one type of facility, or under more than one part of its rules, the type of facility in which, or the part of its rules under which, the transaction was effected, cleared or to be cleared; and (d) the date and manner of settlement of the transaction.
Core Principle 11 *Financial Integrity of Contracts* – The board of trade shall establish and enforce rules providing for the financial integrity of any contracts traded on the contract market (including the clearance and settlement of the transactions with a derivatives clearing organization), and rules to ensure the financial integrity of any futures commission merchants and introducing brokers and the protection of customer funds.	**Minimum financial standards for investment firms** The FSA Handbook separately imposes capital adequacy standards for investment firms (i.e., similar category as "futures commission merchants" under the CFTC rules). See Prudential Sourcebook for Banks, Building Societies and Investment Firms at: http://fsahandbook.info/FSA/html/handbook/BIPRU. **Financial Resources Available to the Exchange** **Rec. 2.3.1** The UK RIE must have financial resources sufficient for the proper

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	performance of its relevant functions as a UK RIE. **Rec. 2.3.3** In determining whether a UK recognized body has financial resources sufficient for the proper performance of its relevant functions, the FSA may have regard to: (1) the operational and other risks to which the UK recognized body is exposed; (2) if the a UK recognized body acts as a central counterparty or other wise guarantees the performance of transactions in specified investments, the counterparty and market risks to which it is exposed in that capacity; (3) the amount and composition of the UK recognized body's capital; (4) the amount and composition of the UK recognized body's liquid financial assets; (5) the amount and composition of the UK recognized body's other financial resources (such as insurance policies and guarantees, where appropriate); (6) the financial benefits, liabilities, risks and exposures arising from the UK recognized body's connection with any person , including but not limited to, its connection with: (a) any undertaking in the same group as the UK recognized body; (b) any other person with a significant shareholding or stake in the UK recognized body;

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	(c) any other person with whom the UK recognized body has made a significant investment whether in the form of equity, debt, or by means of any guarantee or other form of commitment; (d) any person with whom it has a significant contractual relationship. (7) in relation to a UK RIE, the nature and extent of the transactions concluded on the UK RIE **Settlement and Clearing Services** **Rec. 2.8.1** [T]he UK RIE must ensure that - satisfactory arrangements which comply with paragraph 7D are made for securing the timely discharge (whether by performance, compromise or otherwise) of the rights and liabilities of the parties to transactions effected on the UK RIE (being rights and liabilities in relation to those transactions); **Rec. 2.8.1A** (1) The rules of the UK RIE must permit a user or member of a regulated market operated by it to use whatever settlement facility he chooses for a transaction. (2) Sub-paragraph (1) only applies where - (a) such links and arrangements exist between the chosen settlement facility and any other settlement facility as are necessary to ensure the efficient and economic settlement of the transaction; and (b) the UK RIE is satisfied that the smooth and orderly

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	functioning of the financial markets will be maintained. **Rec. 2.8.3** In determining whether there are satisfactory arrangements for securing the timely discharge of the rights and liabilities of the parties to transactions, the FSA may have regard to the UK recognized body's: (1) rules and practices relating to clearing and settlement; (2) arrangements for matching trades and ensuring that the parties are in agreement about trade details; (3) arrangements for making deliveries and payments and, where relevant, for collecting margin and holding collateral, in all relevant jurisdictions; (4) procedures to detect and deal with the failure of a member to settle in accordance with its rules; (5) arrangements for taking action to settle a trade if a member does not settle in accordance with its rules; (6) arrangements for monitoring its members' settlement performance; and (7) (where appropriate) default rules and default procedures. **Custody of Assets** **Rec. 2.11.1** The UK RIE must ensure that where the UK RIE's facilities include making provision for the safeguarding and administration of assets

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	belonging to users of those facilities, satisfactory arrangements are made for that purpose. **Rec. 2.11.3** In determining whether a UK recognized body has made satisfactory arrangements for the safeguarding and administration of assets belonging to the users of its facilities, the FSA may have regard to: (1) the level of protection which the arrangements provide against the risk of theft or other types or causes of loss; (2) whether the arrangements ensure that assets are only used or transferred in accordance with the instructions of the owner of those assets or in accordance with the terms of the agreement by which the UK recognized body undertook to safeguard and administer those assets; (3) whether the arrangements ensure that the assets are not transferred to the UK recognized body or to any other *person* to settle the debts of the owner (or other person with the appropriate rights over the assets) except in accordance with valid instructions from a persons entitled to give those instructions, or in accordance with the terms of the agreement by which the UK recognized body undertook to safeguard and administer those assets; (4) whether the arrangements include satisfactory procedures to ensure that any rights arising in relation to the assets held as a result of any actions by the issuers of those assets (or other relevant persons) are held, transferred or acted upon in a timely and accurate manner in accordance with the instructions of the owner of those assets or in accordance with the terms of the agreement by which the UK recognized body undertook to safeguard

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	and administer those assets; (5) whether there are adequate arrangements to ensure the proper segregation of assets belonging to the UK recognized body (or to undertakings in the same group) from those belonging to the users of its facilities for the safeguarding and administration of assets; (6) whether the arrangements include satisfactory procedures for the selection, oversight and review of custodians or sub-custodians used to hold the assets; (7) whether the agreements by which the UK recognized body undertakes to safeguard and administer assets belonging to users of its facilities include appropriate information regarding the terms and conditions of that service and the obligations of the UK recognized body to the user of the service and of the user of the service to the UK recognized body; (8) whether the records kept of those assets and the operation of the safeguarding services provide sufficient accurate and timely information: (a) to identify the legal and beneficial owners of the assets and of any persons who have charges over, or other interests, in the assets; (b) to record separately any additions, reductions and transfers in each account of assets held for safeguarding or administration; and (c) to identify separately the assets owned by (or, where appropriate, on behalf of) different persons, including, where appropriate, the assets owned by

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	members of the UK recognized body and their clients; (9) the frequency of reconciliation of the assets held by (or on behalf of) the UK recognized body with the accounts held with the UK recognized body by the users of its safeguarding and administration services and the extent of the arrangements for resolving a shortfall identified in any reconciliation; and (10) the frequency with which statements of their holdings are provided to the users of the safeguarding and administration services, to the owners of the assets held and other appropriate persons in accordance with the terms of the agreement by which the UK recognized body undertook to safeguard and administer those assets. **Rec. 2.11.4** Where a UK recognized body arranges for other persons to provide services for the safeguarding and administration services of assets belonging to users of its facilities, it will also need to satisfy the recognition requirements in Regulation 6 of the Recognition Requirements Regulations (See Rec 2.2) **Systems and Controls** **Rec. 2.5.1** (1) The UK RIE must ensure that the systems and controls used in the performance of its relevant functions are adequate, and appropriate for the scale and nature of its business. (2) Sub-paragraph (1) applies in particular to systems and controls concerning - **** (b) the assessment, mitigation and management of risks to the

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	performance of the UK RIE's relevant functions]; (c) the effecting and monitoring of transactions on the [UK RIE]; the technical operation of the [UK RIE} including contingency arrangements for disruption to its facilities;; and *** e) (where relevant) the safeguarding and administration of assets belonging to users of the [UK RIE's] facilities. **Risk management** **Rec. 2.5.6** In assessing a UK recognized body systems and controls for assessing and managing risk, the FSA may also have regard to the extent to which these systems and controls enable the UK recognized body to: (1) identify all the general, operational, legal and market risks wherever they arise in its activities; (2) measure and control the different types of risk; (3) allocate responsibility for risk management to persons with appropriate knowledge and expertise; and (4) provide sufficient, reliable information to key individuals and, where relevant, the governing body of the UK recognized body. **Counterparty risk** **Rec. 2.5.7** Where the UK recognized body assumes significant counterparty

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	risk (for example, by acting as a central counterparty), the FSA may also have regard to: (1) the position of the risk management department within the UK recognized body, including its access to the governing body and its relationship with the commercial or marketing departments of the UK recognized body; (2) the frequency with which all exposures and risks incurred by the UK recognized body are monitored against risk or exposure limits or other appropriate control parameters; (3) the frequency with which risk or exposure limits (or other control parameters) are reviewed; (4) the reliability of the arrangements for monitoring and assessing intra-day movements in exposures and risks; (5) the robustness of the arrangements for calculating, collecting and holding margin payments and the allocation of losses; and (6) the arrangements for stress testing of the adequacy of the UK recognized body financial resources to cover its exposures which may arise, for example, with substantial movements in market values or counterparty defaults. **Effecting and Monitoring of transactions and operation of settlement arrangements** **Rec. 2.5.8** In assessing a UK RIE's systems and controls for the effecting and monitoring of transactions, and the systems and controls used by a UK recognized body for the operation of settlement arrangements, the FSA

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	may have regard to the totality of the arrangements and processes through which a transaction is effected, cleared and settled, including: (1) a UK RIE's arrangements under which orders are received and matched, and its arrangements for trade and transaction reporting, and (if relevant) for transmission to a settlement system or clearing house; (2) a UK recognized body's arrangements under which clearing and settlement instructions arising from a transaction are entered into its systems to the point at which any rights or liabilities arising from that transaction are discharged; and (3) the arrangements made by the UK recognized body for monitoring and reviewing the operation of these systems and controls. **Safeguarding and Administration of Assets** **Rec. 2.5.9** In assessing a UK recognized body's systems and controls for the safeguarding and administration of assets belonging to users of its facilities, the FSA may have regard to the totality of the arrangements and processes by which the UK recognized body: (1) records the assets held and the identity of the owners of (and other persons with relevant rights over) those assets; (2) records any instructions given in relation to those assets; (3) records the carrying out of those instructions;

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	(4) records any movements in those assets (or any corporate actions or other events in relation to those assets); and (5) reconciles its records of assets held with the records of any custodian or sub-custodian used to hold these assets, and with the records of beneficial or legal ownership of those assets. **Monitoring of trading and settlement** **Rec. 2.12.2E** 2. Where the financial instruments concerned are of a kind listed in Sections C (5), (6), (7) or (10) of Annex I to MiFID,[7] point (b) of paragraph 1 shall not apply if the following conditions are satisfied: .... (b) the regulated market must ensure that appropriate supervisory arrangements are in place to monitor trading and settlement in such financial instruments; **Rec. 2.15.1** (1) The UK RIE must have - (a) effective arrangements (which include the monitoring of transactions effected on the UK RIE) for monitoring and enforcing compliance with its rules, including rules in relation to the provision of clearing services in respect of transactions other than transactions effected on the UK RIE;
Core Principle 12 *Protection of Market Participants* – The board of trade shall establish and enforce rules to protect market participants from abusive practices committed by any party acting as an agent for the participants.	**Financial Crime and Market Abuse** **Rec. 2.10.1** The UK RIE must ensure that appropriate measures (including the

[7] *Id.*

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	monitoring of transactions effected on the [UK RIE]) are adopted to reduce the extent to which the UK RIE's facilities can be used for a purpose connected with *market abuse* or *financial crime*, and to facilitate their detection and monitor their incidence; **Rec 2.10.3** In determining whether a UK recognized body measures are appropriate to reduce the extent to which its facilities can be used for a purpose connected with market abuse and financial crime, to facilitate their detection and to monitor their incidence, the FSA may have regard to: (1) whether the rules of the UK recognized body enable it to disclose any information to the FSA, or other appropriate bodies involved in the detection, prevention or pursuit of market abuse and financial crime in the United Kingdom or overseas; and (2) whether the arrangements, resources, systems, and procedures of the UK recognized body enable it to: (a) monitor the use made of its facilities so as to obtain information regarding possible patterns of normal, abnormal or improper use of those facilities; (b) detect possible instances of market abuse and financial crime for example, by detecting suspicious patterns in the use of its facilities; (c) communicate information about market abuse and financial crime promptly and accurately to appropriate organisations; and (d) cooperate with all relevant bodies in the prevention, investigation and pursuit of market abuse and financial crime.

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	Rec 2.10.4 The law on market abuse and financial crime, including Part VI of the Criminal Justice Act 1988 and the Money laundering regulations, applies to UK recognized bodies. This recognition requirement (and this guidance) does not restrict, diminish or alter the obligations contained in that legislation. **Detection and Monitoring** **Rec. 2.6.1.** The UK RIE must ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors. **Rec. 2.6.2.** . . . [t]he UK RIE must ensure that it has transparent and non-discretionary rules and procedures – (i) to provide for fair and orderly trading, and (ii) to establish objective criteria for the efficient execution of orders. **Rec. 2.15.1** (1) The UK RIE must have - (a) effective arrangements (which include the monitoring of transactions effected on the UK RIE) for monitoring and enforcing compliance with its rules, including rules in relation to the provision of clearing services in respect of transactions other than transactions effected on the UK RIE; . . . (c) effective arrangements for monitoring transactions effected on the UK RIE in order to identify disorderly trading conditions.

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	(2) Arrangements made pursuant to sub-paragraph (1) must include procedures for - (a) investigating complaints made to the UK RIE about the conduct of persons in the course of using the UK RIE's facilities; and (b) the fair, independent and impartial resolution of appeals against decisions of the UK RIE. (3) Where arrangements made pursuant to sub-paragraph (1) include provision for requiring the payment of financial penalties, they must include arrangements for ensuring that any amount so paid is applied only in one or more of the following ways - (a) towards meeting expenses incurred by the UK RIE in the course of the investigation of the breach in respect of which the penalty is paid, or in the course of any appeal against the decision of the UK RIE in relation to that breach; (b) for the benefit of users of the UK RIE's facilities; (c) for charitable purposes. **Rec. 2.10.1** . . . [t]he UK RIE must ensure that- appropriate measures (including the monitoring of transactions effected on the UK RIE) are adopted to reduce the extent to which the UK RIE's facilities can be used for a purpose connected with market abuse or financial crime, and to facilitate their detection and monitor their incidence; **Rec. 2.10.3.** In determining whether a UK recognized body's measures are appropriate to reduce the extent to which its facilities can be used for a purpose connected with market abuse or financial crime, to facilitate their detection and to

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	monitor their incidence, the FSA may have regard to: (1) whether the rules of the UK recognized body enable it to disclose any information to the FSA, or other appropriate bodies involved in the detection, prevention or pursuit of market abuse or financial crime in the United Kingdom or overseas; and (2) whether the arrangements, resources, systems, and procedures of the UK recognized body enable it to: (a) monitor the use made of its facilities so as to obtain information regarding possible patterns of normal, abnormal or improper use of those facilities; (b) detect possible instances of market abuse and financial crime, for example, by detecting suspicious patterns in the use of its facilities; (c) communicate information about market abuse and financial crime promptly and accurately to appropriate organizations; and (d) cooperate with all relevant bodies in the prevention, investigation and pursuit of market abuse and financial crime.
Core Principle 13 *Dispute Resolution* – The board of trade shall establish and enforce rules regarding [sic] and provide facilities for alternative dispute resolution as appropriate for market participants and any market intermediaries.	**Rec. 2.15.1** (1) The UK RIE must have - (a) effective arrangements (which include the monitoring of transactions effected on the UK RIE) for monitoring and enforcing compliance with its rules, including rules in relation to the provision of clearing services in respect of transactions other than transactions effected on the UK RIE; . . .

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	(c) effective arrangements for monitoring transactions effected on the UK RIE in order to identify disorderly trading conditions. (2) Arrangements made pursuant to sub-paragraph (1) must include procedures for - (a) investigating complaints made to the UK RIE about the conduct of persons in the course of using the UK RIE's facilities; and (b) the fair, independent and impartial resolution of appeals against decisions of the UK RIE. (3) Where arrangements made pursuant to sub-paragraph (1) include provision for requiring the payment of financial penalties, they must include arrangements for ensuring that any amount so paid is applied only in one or more of the following ways - (a) towards meeting expenses incurred by the UK RIE in the course of the investigation of the breach in respect of which the penalty is paid, or in the course of any appeal against the decision of the UK RIE in relation to that breach; (b) for the benefit of users of the UK RIE's facilities; (c) for charitable purposes. **Rec. 2.15.5** In assessing whether the arrangements include procedures for the fair, independent and impartial resolution of appeals against decisions of a UK recognized body, the FSA may have regard to at least the following factors: (1) the appeal procedures of the UK recognized body, including the composition and roles of any appeal committees or tribunals, and their relationship to the

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	governing body; (2) the arrangements made to ensure prompt hearings of appeals from decisions made by the UK recognized body; (3) the format, organization and rules of procedure of those hearings; (4) the arrangements made to select the persons to preside over those hearings and to serve as members of any appeal tribunal; (5) the provision for determining whether or not such hearings should be in public; (6) the provision made to enable an appellant to be aware of the procedure at any appeal hearing and to have the opportunity to prepare and present his case at that hearing; (7) the provision made for an appeal tribunal to give an explanation of its decision; (8) the provision for publicity for any appeals or for determining whether or not publicity should be given to the outcome of any appeal. **Rec. 2.16.1.** The UK RIE must have effective arrangements for the investigation and resolution of complaints arising in connection with the performance of, or failure to perform, any of its regulatory functions. . . . . (3)The arrangements must include arrangements for a complaint to be fairly and impartially investigated by a person independent of the UK RIE, and for him to report on

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	the result of his investigation to the UK RIE and to the complainant. (4)The arrangements must confer on the person mentioned in sub-paragraph (3) the power to recommend, if he thinks appropriate, that the UK RIE - (a) makes a compensatory payment to the complainant, (b) remedies the matter complained of, or takes both of those steps. (5)Sub-paragraph (3) is not to be taken as preventing the UK RIE from making arrangements for the initial investigation of a complaint to be conducted by the UK RIE. **Rec. 3.10.1** Where a UK recognized body's complaints investigator has investigated a complaint arising in connection with the performance of, or failure to perform, any of its regulatory functions, and that complaints investigator has made a recommendation in respect of that complaint that the UK recognized body should: (1) make a compensatory payment to any person; or (2) remedy the matter which was the subject of that complaint; the UK recognized body must immediately notify the FSA of that event, and give the FSA a copy of the complaints investigator's report and particulars of his recommendations as soon as that report or those recommendations are available to it.

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Core Principle 14 *Governance Fitness Standards* – The board of trade shall establish and enforce appropriate fitness standards for directors, members of any disciplinary committee, members of the contract market, and any other persons with direct access to the facility (including any parties affiliated with any of the persons described in this paragraph).	**Rec. 2.4.1** (1) The UK RIE must be a fit and proper person to perform the functions of a UK RIE. (2) In considering whether this requirement is satisfied, the FSA may, without prejudice to the generality of regulation 6(1) take into account all the circumstances, including the UK RIE's connection with any person. (3) The persons who effectively direct the business and operations of the UK RIE must be of sufficiently good repute and sufficiently experience to ensure the sound and prudent management and operation of the financial markets operated by it. (4) The persons who are in a position to exercise significant influence over the management of the UK RIE, whether directly or indirectly must be suitable. **Rec. 2.7.1A** . . . . (3) Rules of the UK RIE about access to, or membership of, a financial market operated by it must permit the UK RIE to give access to or admit to membership (as the case may be) only - (a) an investment firm, (b) a credit institution, or (c) a person who - (i) is fit and proper, (ii) has a sufficient level of trading ability and competence, (iii) where applicable, has adequate organizational arrangements, and (iv) has sufficient resources for the role he is to perform . . . . **Rec. 3.4.1** The purpose of REC 3.4 is to enable the FSA to monitor changes in the arrangements a UK recognized body makes for the carrying out of its relevant functions or for overseeing the work of key individuals or departments responsible for its relevant functions. **Rec. 3.4.2**

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Core Principle 15 *Conflicts of Interest* – The board of trade shall establish and enforce rules to minimize conflicts of interest in the decision-making process of the contract market and establish a process for resolving such conflicts of interest.	**Rec. 2.5.1A** . . . [t]he UK RIE must ensure that appropriate arrangements are made to - (i) identify conflicts between the interests of the UK RIE, its owners and operators and the interests of the persons who make use of its facilities or the interests of the financial markets operated by it; and (ii) manage such conflicts so as to avoid adverse consequences for the operation of the financial markets operated by the UK RIE and for the persons who make use of its facilities. **Rec. 2.5.10** A conflict of interest arises in a situation where a person with responsibility to act in the interests of one person may be influenced in his action by an interest or association of his own, whether personal or business or employment related. Conflicts of interest can arise both for the employees of UK recognized bodies and for the members (or other persons) who may be involved in the decision-making process, for example where they belong to committees or to the governing body. Conflicts of interest may also arise for the UK recognized body itself as a result of its connection with another person. **Rec. 2.5.15** The FSA may also have regard to the contracts of employment, staff rules, letters of appointment for members of the governing body, members of relevant committees and other key individuals and other guidance given to individuals on handling conflicts of interest. Guidance to individuals may need to cover: (1) the need for prompt disclosure of a conflict of interest to enable others, who are not affected by the conflict, to assist in deciding how it should be managed; (2) the circumstances in which a general disclosure of conflicts

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	of interest in advance of any particular instance in which a conflict of interest arises may be sufficient; (3) the circumstances in which a general advance disclosure may not be adequate; (4) the circumstances in which it would be appropriate for a conflicted individual to withdraw from involvement in the matter concerned, without disclosing the interest; and (5) the circumstances in which safeguards in addition to disclosure would be required, such as the withdrawal of the individual from the decision-taking process, or from access to relevant information. **Rec. 2.5.16** The FSA may also have regard to the arrangements made: (1) for enforcing rules or other provisions applicable to staff and other persons involved in regulatory decisions; and (2) to keep records of disclosures of conflicts of interest and the steps taken to handle them.
Core Principle 16 *Composition of Boards of Mutually Owned Contract Markets* – In the case of a mutually owned contract market, the board of trade shall ensure that the composition of the governing board reflects market participants.	**Rec. 2.5.13** The FSA may have regard to the arrangements a UK recognized body makes to structure itself and to allocate responsibility for decisions so that it can continue to take proper regulatory decisions notwithstanding any conflicts of interest, including: (1) the size and composition of the governing body and relevant committees; (2) the roles and responsibilities of key individuals, especially

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	where they also have responsibilities in other organizations; (3) the arrangements for transferring decisions or responsibilities to alternates in individual cases; and (4) the arrangements made to ensure that individuals who may have a permanent conflict of interest in certain circumstances are excluded from the process of taking decisions (or receiving information) about matters in which that conflict of interest would be relevant. *See also* **FSA letter to Recognized Bodies, June 8, 2007** (stating that normally a majority of the board should be non-executive directors and providing clarity on the definition of an executive director in the context of a corporate group); and **FSA letter to Recognized Bodies, March 31, 2004** (stating that corporate governance will continue to be part of FSA reviews, and encouraging consideration of a "balance" between executives, independents and users in forming the Board).
Core Principle 17 *Recordkeeping* – The board of trade shall maintain records of all activities related to the business of the contract market in a form and manner acceptable to the Commission for a period of 5 years.	**Rec. 2.9.1** The UK RIE must ensure that satisfactory arrangements are made for recording transactions effected on the UK RIE, and transactions (whether or not effected on the UK RIE), which are cleared or to be cleared by means of its facilities. **Rec. 2.9.3** In determining whether a UK recognized body has satisfactory arrangements for recording the transactions effected on, or cleared or to be cleared by means of, its facilities, the FSA may have regard to: (1) whether the UK recognized body has arrangements for creating, maintaining and safeguarding an audit trail of transactions for at least three years (five years in respect of transactions carried out by members who are not incorporated in the United Kingdom if the UK recognized body is a regulated

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	market); and (2) the type of information recorded and the extent to which the record includes details for each transaction of: (a) the name of the investment (and, if relevant, the underlying asset) and the price, quantity and date of the transaction; (b) the identities and, where appropriate, the roles of the counterparties to the transaction; (c) if the UK recognized body's rules make provision for transactions to be effected, cleared or to be cleared in more than one type of facility, or under more than one part of its rules, the type of facility in which, or the part of its rules under which, the transaction was effected, cleared or to be cleared; and (d) the date and manner of settlement of the transaction.
Core Principle 18 *Antitrust Considerations* – Unless necessary or appropriate to achieve the purposes of this Act, the board of trade shall endeavor to avoid – (A) adopting any rules or taking any actions that result in any unreasonable restraints of trade; or (B) imposing any material anticompetitive burden on trading on the contract market.	**Note**: The FSA does not have a specific remit in the area of competition and antitrust. Responsibility for such issues lies in the UK Office of Fair Trading. **Rec. 2.7.1A** **(1)** The UK RIE must make transparent and non-discriminatory rules, based on objective criteria, governing access to, or membership of, its facilities. . . . **(3)** Rules of the UK RIE about access to, or membership of, a financial market operated by it must permit the UK RIE to give access to or admit to membership (as the case may be) only - (a) an investment firm, (b) a credit institution, or (c) a person who - (i) is fit and proper,

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	(ii) has a sufficient level of trading ability and competence, (iii) where applicable, has adequate organizational arrangements, and (iv) has sufficient resources for the role he is to perform . . . .

Appendix I

Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC

Annex I

List of Services and Activities and Financial Instruments

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Section C Financial Instruments

(1) Transferable securities;

(2) Money-market instruments;

(3) Units in collective investment undertakings;

(4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;

(5) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);

(6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF;

(7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in C.6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls;

(8) Derivative instruments for the transfer of credit risk;

(9) Financial contracts for differences.

(10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.