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## **CFTC Unanimously Approves Proposed Rule on Automated Trading**

**Washington, DC** — The U.S. Commodity Futures Trading Commission (Commission) today unanimously approved proposed rules that mark a comprehensive regulatory response to the evolution of automated trading on U.S. designated contract markets (DCMs). The proposed rules, known collectively as Regulation Automated Trading or Regulation AT, represent a series of risk controls, transparency measures, and other safeguards to enhance the U.S. regulatory regime for automated trading. The notice of proposal will be open for a 90-day public comment period.



Regulation AT takes a multilevel approach by proposing risk control and other requirements for (a) market participants using algorithmic trading systems (ATSs), who are defined as “AT Persons” in the rulemaking, (b) clearing member futures commission merchants (FCMs) with respect to their AT Person customers, and (c) DCMs executing AT Person orders. The proposed rules are intended to reduce potential risks arising from algorithmic trading activity, by requiring the implementation of risk controls such as maximum order message and maximum order size parameters, and the establishment of standards for the development, testing, and monitoring of ATSs, among other requirements. AT Persons and clearing member FCMs would also be required to submit reports on their risk controls to DCMs, and maintain books and records regarding their risk controls and other algorithmic trading procedures for review by DCMs.

Regulation AT also proposes to require the registration of certain proprietary traders that, while responsible for significant trading volumes in key futures products, are not currently registered with the Commission. The proposed registration requirement would be applicable specifically to proprietary traders engaged in algorithmic trading through direct electronic access to a DCM.

The proposed rules would also require the use of self-trade prevention tools by market participants on DCMs, while permitting trades originating from accounts with independent decision makers. In addition, the proposed rules are designed to increase transparency around DCM electronic trade matching platforms, by requiring DCMs to publish a description of rules or known attributes of the trade matching platform that materially affect factors such as the time, price or quantity of execution of market participant orders, the ability to cancel or modify orders, and the transmission of market data and order or trade confirmations to market participants. Furthermore, the proposed rules are intended to foster transparency with respect to DCM programs and activities, including market maker and trading incentive programs.

To help ensure that Regulation AT remains current as markets and trading technologies evolve, the Commission is proposing to require that all AT Persons become members of a registered futures association (RFA), and further require RFAs to consider membership rules addressing algorithmic trading for each category of member in the RFA. Taken together, these provisions would allow RFAs to supplement elements of Regulation AT in response to future industry developments.

Comments may be submitted electronically through the Commission’s Comment Online process.