

**MEMO# 24792**

December 15, 2010

## **CFTC Request for Comment on Anti-Disruptive Trading Practices Authority Contained in Dodd-Frank Act**

[24792]

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TO: EQUITY MARKETS ADVISORY COMMITTEE No. 54-10  
ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 33-10  
ETF ADVISORY COMMITTEE No. 57-10  
CLOSED-END INVESTMENT COMPANY MEMBERS No. 73-10  
SEC RULES MEMBERS No. 138-10 RE: CFTC REQUEST FOR COMMENT ON ANTI-DISRUPTIVE TRADING PRACTICES AUTHORITY CONTAINED IN DODD-FRANK ACT

The Commodity Futures Trading Commission has issued an advance notice of proposed rulemaking ("ANPR") to request comment on authority provided under the Dodd-Frank Act to address certain disruptive trading practices. [\[1\]](#) Specifically, Section 747 of the Dodd-Frank Act amends the Commodity Exchange Act to make it unlawful for any person to engage in any trading, practice, or conduct on or subject to the rules of a registered entity that: (A) violates bids or offers; (B) demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period; or (C) is, is of the character of, or is commonly known to the trade as, "spoofing" (bidding or offering with the intent to cancel the bid or offer before execution). In addition, the Dodd-Frank Act grants the CFTC authority to prohibit other trading practices that are disruptive of "fair and equitable trading."

The ANPR contains nineteen questions on all aspects of Section 747. Questions focus on the definitions and scope of several of the terms associated with the prohibited trading practices as well as several questions surrounding the use, in general, of algorithmic or automated trading systems. CFTC Chairman Gary Gensler, in a statement on the anti-disruptive practices authority provided to the CFTC, stated that he is particularly interested in hearing from the public on algorithmic trading.

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**endnotes**

[1] The advance notice of proposed rulemaking can be found at <http://www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/file/2010-27547a.pdf>. Comments are due to the CFTC by January 3, 2011.

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