

**MEMORANDUM OF UNDERSTANDING  
BETWEEN  
THE U.S. SECURITIES AND EXCHANGE COMMISSION  
AND  
THE U.S. COMMODITY FUTURES TRADING COMMISSION  
REGARDING  
COORDINATION IN AREAS OF COMMON REGULATORY INTEREST**

The mission of the SEC is to protect investors, maintain fair, orderly, and efficient securities markets, and facilitate capital formation. The mission of the CFTC is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of futures and options on futures and commodities, and to foster open, competitive and financially sound futures and options on futures and commodities markets as the means for managing and assuming price risks. In addition, the SEC and CFTC have joint responsibility for regulating SFPs.

The SEC and CFTC recognize that enhanced coordination and cooperation concerning issues of common regulatory interest is necessary in order to foster market innovation and fair competition and to promote efficiency in regulatory oversight. The SEC and CFTC further recognize that through increased coordination and cooperation, the agencies can facilitate the introduction of novel derivative products to market users and investors. Accordingly, the SEC and CFTC are entering into this MOU in order to establish a permanent regulatory liaison and facilitate the discussion and coordination of regulatory action regarding issues of common regulatory interest, including, but not limited to, novel derivative products, portfolio margining, futures on foreign securities and foreign security indexes, examination and oversight of firms registered as both Investment Advisers with the SEC and as Commodity Pool Operators with the CFTC, and SFPs.

**ARTICLE I: DEFINITIONS**

For purposes of this MOU:

“**CEA**” shall refer to the Commodity Exchange Act.

“**CFMA**” shall refer to the Commodity Futures Modernization Act of 2000.

“**CFTC**” shall mean the U.S. Commodity Futures Trading Commission.

“**Commodity Pool Operator**” or “**CPO**” shall mean a commodity pool operator, as defined under Section 1a(5) of the CEA, that is registered with the CFTC pursuant to Section 6n of the CEA and the rules and regulations thereunder.

“**Exchange Act**” shall mean the Securities Exchange Act of 1934.

“**Investment Adviser**” shall mean an investment adviser, as defined under Section 202(a)(11) of the Investment Advisers Act, that is registered with the SEC pursuant to Section 203 of the Investment Advisers Act.

**“Investment Advisers Act”** shall mean the Investment Advisers Act of 1940.

**“MOU”** shall mean this Memorandum of Understanding.

**“Parties”** shall mean the SEC and CFTC.

**“SEC”** shall mean the U.S. Securities and Exchange Commission.

**“SFP”** shall mean security futures product, as defined in Section 1a(32) of the CEA and Section 3(a)(56) of the Exchange Act.

## **ARTICLE II: GENERAL PROVISIONS**

1. The MOU is a statement of intent to consult, cooperate, and exchange information in connection with areas of common regulatory interest, in a manner consistent with, and permitted by, the laws and requirements that govern the Parties. It is anticipated that cooperation will be achieved primarily through ongoing, informal, oral consultations, as well as periodic meetings, written requests as needed, and other practical arrangements as may be developed by the Parties.

2. The MOU does not create any legally binding obligations, confer upon any person the right or ability directly or indirectly to obtain, suppress, or exclude any information or to challenge the execution of a request for assistance under the MOU.

3. The MOU is intended to complement, but does not alter the terms and conditions of, existing bilateral or multilateral arrangements concerning cooperation in supervisory or enforcement matters, between the SEC and the CFTC. In addition, the Parties encourage their respective staffs to maintain ongoing, ad hoc, communications to ensure coordination, as appropriate, of the day-to-day operations of the Parties.

4. The Parties hereby reaffirm the Memorandum of Understanding between the SEC and the CFTC Regarding the Oversight of SFP Trading and the Sharing of SFP Information, dated March 17, 2004.

5. The Parties agree that nothing in the MOU modifies in any way each Party’s ability and responsibility to enforce its statute and regulations.

6. The Parties intend periodically to review the functioning and effectiveness of the cooperation arrangement with a view to expanding or altering the scope or operation of the MOU should that be judged to further the intent of the Parties.

**ARTICLE III: PROCEDURES FOR COORDINATION IN AREAS OF COMMON REGULATORY INTEREST GENERALLY**

7. Representatives of the Parties, each designated pursuant to Article V hereof, endeavor to meet at least quarterly each year to identify and discuss issues of regulatory interest to either or both Parties, and to identify and discuss at early stages the regulatory implications of such issues. After each such quarterly meeting or any quarterly meeting held pursuant to Article IV of the MOU, representatives of the Parties shall provide a written summary of the key points of the meeting to their respective Commission (which summary shall be treated as confidential and non-public information in accordance with Article VI of the MOU).

8. The Parties agree to consult in the interest of developing practical arrangements to coordinate and cooperate in areas of common regulatory interest.

9. The Parties agree to work to develop a process for coordinating, and exchanging information about, examinations of firms registered both as Investment Advisers and CPOs.

10. To the extent necessary to supplement periodic and ad hoc consultations, upon written request, each Party intends to provide the other Party the fullest possible cooperation and information related to issues of common regulatory interest.

11. To the extent practicable and as appropriate in the particular circumstances, each Party endeavors to inform the other Party in advance of issues that may impact the regulatory interests of either Party and /or affect operations across both jurisdictions. Issues for consultation and coordination include, but are not limited to:

a. General supervisory developments and decisions taken by either Party that affect operations across both jurisdictions;

b. Material events that may have a significant impact on the operations or activities of an entity or market under the other Party's jurisdiction;

c. Enforcement actions, investigations, or sanctions that could adversely impact an entity, product or market under the other Party's jurisdiction;

d. Proposals to list or trade novel derivative products;

e. Alliances, mergers, or cross-shareholdings that occur at the holding company level, where regulatory approval by either Party is required;

f. Amendments to the ownership or governance structure of an entity under common jurisdiction, where regulatory approval by either Party is required; or

g. Other material changes to areas of common regulatory interest.

**ARTICLE IV: PROCEDURES FOR COORDINATION IN THE AREA OF NOVEL DERIVATIVE PRODUCTS**

12. To facilitate the discussion and coordination of issues of regulatory interest to one or both Parties involving novel derivative products, the Parties hereby designate the following persons as their point(s) of contact:

a. The SEC designates the Director of the Division of Trading and Markets, who shall in turn designate two (2) members of his or her staff; and

b. The CFTC designates the Director of the Division of Market Oversight, who shall in turn designate two (2) members of the CFTC staff

(collectively, the “Derivative Products Contacts”).

The Derivative Products Contacts shall endeavor to meet at least quarterly each year to identify and discuss regulatory issues related to novel derivative products, including specific exchange proposals to list and trade derivative products.

**ARTICLE V: POINT(S) OF CONTACT**

13. The SEC:

a. Designates the Director of the Office of Compliance Inspections and Examinations, or his or her designee, as its point(s) of contact for matters related to firms dually registered as Investment Advisers and CPOs; and

b. Designates the Director of the Division of Trading and Markets, or his or her designee, as its point(s) of contact for all other purposes of the MOU, except as otherwise set forth in Article IV hereof.

14. The CFTC:

a. Designates the Director of the Division of Clearing and Intermediary Oversight, or his or her designee, as its point(s) of contact for matters related to firms dually registered as Investment Advisers and CPOs; and

b. Designates the General Counsel, or his or her designee, as its point(s) of contact for all other purposes of the MOU, except as otherwise set forth in Article IV hereof.

**ARTICLE VI: PERMISSIBLE USES AND CONFIDENTIALITY OF INFORMATION**

15. The Parties agree to treat as confidential, to the extent permitted by applicable laws, all non-public information provided pursuant to the MOU. Nothing in the MOU waives or alters any provisions of any applicable laws relating to non-public information. The Parties will

not share information received pursuant to the MOU with self-regulatory organizations without notice and consent of the other Party.

16. The Parties agree to take all actions reasonably necessary to preserve, protect, and maintain all privileges and claims of confidentiality related to non-public information provided pursuant to the MOU, in accordance with applicable law.

17. Consistent with applicable law, to protect the confidentiality of non-public information furnished under the MOU, in matters not involving actions or proceedings brought by a Party or the United States, the Parties will:

a. Establish and maintain such safeguards as are necessary and appropriate to protect the confidentiality of any such information provided;

b. Notify the party seeking production of non-public information that the information originated with the other agency;

c. Unless prohibited by law, promptly notify the other Party in writing of any legally enforceable demand or request for such information (including, but not limited to, a subpoena, court order, or request pursuant to the Freedom of Information Act), and provide the other Party a reasonable opportunity to respond to the demand prior to complying with the demand or request;

d. Not furnish such information to any third party, except as otherwise provided herein, or otherwise make public such information without prior written approval of the Party providing the information; and

e. Consent to application by the other Party to intervene in any related action for the purposes of asserting and preserving any privileges or claims of confidentiality with respect to the originating Party's non-public information.

Notwithstanding the confidentiality provisions set forth above, the MOU does not prevent the Parties from using non-public information furnished under the MOU in either Party's investigations, actions, or proceedings, to the extent permitted by applicable law. Consistent with restrictions found in applicable laws, the Parties will cooperate to facilitate transfer of information to criminal law enforcement authorities, where appropriate, and will notify each other of any transfer and use their best efforts to obtain appropriate assurances of confidentiality.

18. The Parties agree to use their best efforts to obtain appropriate assurances of confidentiality, and to assert legal exemptions or privileges on the other's behalf that may reasonably be requested to be asserted.

19. The Parties intend that sharing of non-public information with each other pursuant to the terms of the MOU will not constitute public disclosure, nor will it constitute a waiver of confidentiality or any privilege applicable to such information.

20. Nothing in the MOU shall prevent a Party from complying with an order of a court of the United States.

**ARTICLE VII: EFFECTIVE DATE AND TERMINATION**

The MOU shall become effective as of the date of its signing, shall remain effective unless terminated by either Party, and may be revised or modified, upon agreement, or as required by changes in relevant laws. The Party recommending the revision or modification shall provide the other Party with 30 days' written notice of the proposed change. Issues raised by the Parties relating to administration of the MOU shall be resolved by the Chairmen of the respective Parties, or by the Chairmen's designees. The MOU does not create legally binding obligations on the Parties and does not create any right enforceable against the Parties or any of their officers or employees or any other person.

Either Party may terminate the MOU upon 30 days' written notice to the other Party. Following termination, all information that was provided subject to the MOU shall remain confidential pursuant to its terms.

Agreed to this 11 day of March, 2008.



\_\_\_\_\_  
Christopher Cox  
Chairman  
Securities and Exchange Commission



\_\_\_\_\_  
Walter L. Lukken  
Acting Chairman  
Commodity Futures Trading Commission