

**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.

