

Sometimes the disclosures are placed on the same document with the credit contract, as permitted under comment 17(a)(1)–3. In such cases, the timing requirement is satisfied if the creditor gives a copy of the document containing the unexecuted credit contract and the disclosures to the consumer to read and sign, and the consumer is free to take possession of and review the document in its entirety before signing. It is not sufficient, however, if the document containing the disclosures is merely shown to the consumer before the consumer signs and becomes obligated; the creditor must give the document to the consumer. If after receiving the document, the consumer signs it and becomes obligated, the consumer may return it to the creditor to execute or process, provided the consumer is also given a copy at that time to keep. ◀

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By order of the Board of Governors of the Federal Reserve System, acting through the Director of the Division of Consumer and Community Affairs under delegated authority, December 7, 2001.

Jennifer J. Johnson,
Secretary of the Board.

[FR Doc. 01–30781 Filed 12–12–01; 8:45 am]

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COMMODITY FUTURES TRADING COMMISSION

17 CFR Part 15

RIN 3038–AB88

Reporting Levels for Large Trader Reports; Security Futures Products

AGENCY: Commodity Futures Trading Commission.

ACTION: Proposed rules.

SUMMARY: The Commodity Futures Trading Commission (Commission or CFTC) is proposing to amend part 15 of its rules, 17 CFR part 15, to establish reporting levels for security futures products (SFPs) traded on designated contract markets and notice-designated contract markets. The reporting levels being proposed are 1000 contracts for an SFP involving an individual security and 200 contracts for an SFP involving a narrow-based index of equity securities.

DATES: Comments must be received by January 14, 2002.

ADDRESSES: Comments should be sent to the Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW., Washington, DC 20581, attention: Office of the Secretariat. Comments may be sent by

facsimile transmission to (202) 418–5521 or, by e-mail to secretary@cftc.gov. Reference should be made to “Reporting Levels for Security Futures Products.”

FOR FURTHER INFORMATION CONTACT: Gary J. Martinaitis, Deputy Associate Director, Market Surveillance Section, or Nancy E. Yanofsky, Assistant Chief Counsel, Division of Economic Analysis, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW., Washington, DC 20581. Telephone: (202) 418–5260. E-mail: GMartinaitis@cftc.gov or NYanofsky@cftc.gov.

SUPPLEMENTARY INFORMATION: On December 21, 2000, the President signed into law the Commodity Futures Modernization Act of 2000 (CFMA), Pub. L. No. 106–554, which extensively revises the Commodity Exchange Act (Act). Among other things, the CFMA removed the restriction in the Act on the trading of futures contracts on individual equity securities and narrow-based indices of equity securities.¹ Under the revised law, these products are now referred to as “security futures products” (SFPs)² and may be traded on designated contract markets, notice-designated contract markets and registered derivatives transaction execution facilities.

SFPs, like all other commodities traded on Commission-designated markets, will be subject to the Commission’s large trader reporting rules. Those rules require futures commission merchants, clearing members and foreign brokers to report to the Commission position information of the largest futures and options traders and require the traders themselves to provide certain identifying information. Reporting levels are set for individual futures and option markets under the authority of sections 4i and 4c of the Act to ensure that the Commission receives adequate information to carry out its market surveillance programs. These market surveillance programs are designed to detect and to prevent

¹ See section 251(a) of the CFMA. This trading previously had been prohibited by section 2(a)(1)(B)(v) of the Act.

² The term “security futures product” is defined in section 1a(32) of the Act to mean “a security future or any put, call, straddle, option, or privilege on any security future.” The term “security future” is defined in section 1a(31) of the Act; it generally means a contract of sale for future delivery of a single security or of a narrow-based security index, including any interest therein or based on the value thereof, except exempted securities (with the exclusion of municipal securities) and certain agreements, contracts, or transactions excluded from the Act. Because the CFMA provides that options on security futures cannot be traded until at least December 21, 2003, security futures are the only security futures product that may be available for trading during the next two years.

market congestion and price manipulation and to enforce speculative position limits. They also provide information regarding the overall hedging and speculative use of, and foreign participation in, the futures markets and other matters of public interest. Generally, large trader reports are filed by the firm carrying the reportable trader’s position.³

Based upon its experience in administering the large trader reporting system, the Commission is proposing to establish a reporting level of 1000 contracts for SFPs involving an individual security⁴ and 200 contracts for SFPs involving a narrow-based index of securities.⁵ The Commission intends to review these levels an appropriate amount of time after trading in SFPs commences to determine if it provides adequate coverage for effective market surveillance. At that time, the Commission will consider actual trading experience—including trading volume, open interest and the number and position sizes of individual traders—to determine whether the level is too high or too low for effective market surveillance.

The Commission notes that the proposed rules require the reporting of positions in SFPs on notice-designated contract markets. Notice-designated contract markets are entities that are otherwise regulated by the Securities and Exchange Commission (such as registered national securities exchanges and registered national securities associations) that apply for and, pursuant to a notice-filing procedure, become designated as contract markets by the Commission for the limited

³ Generally, parts 17 and 18 of the regulations, 17 CFR parts 17 and 18, require reports from firms and traders, respectively, when a trader holds a “reportable position.” A reportable position is any open contract position that at the close of the market on any business day equals or exceeds the quantity specified in Commission rule 15.03 in either: (1) Any one future of any commodity on any one contract market, excluding futures contracts against which notices of delivery have been stopped by a trader or issued by the clearing organization of a contract market; or (2) long or short put or call options that exercise into the same future of any commodity on any one contract market. 17 CFR 15.00 and part 150.

The firms which carry accounts for traders holding “reportable positions” are required to identify those accounts by filing a CFTC Form 102 and to report all reportable positions in the accounts to the Commission. The individual trader who holds or controls the reportable position, however, is required to report to the Commission only in response to a special call.

⁴ Based on staff discussions with industry participants, the Commission understands that futures contracts on individual securities will specify 100 shares of the underlying security.

⁵ This number corresponds to the current reporting level for security options.

purpose of trading SFPs.⁶ The Act and the Commission's regulations exempt notice-designated contract markets from certain provisions of the Act and the Commission's regulations; these trading facilities, however, are subject to the Commission's large trader reporting system.⁷ Thus, futures commission merchants (whether registered under a full or a notice filing-procedure under rule 3.10⁸), clearing members, foreign brokers and others who have reporting and other obligations under parts 15 through 21 of the Commission's rules will have concomitant obligations with respect to SFPs traded on notice-designated contract markets.

I. Cost Benefit Analysis

Section 15 of the Act, as amended by section 119 of the CFMA, requires the Commission to consider the costs and benefits of its action before issuing a new regulation under the Act. By its terms, section 15 does not require the Commission to quantify the costs and benefits of a new regulation or to determine whether the benefits of the proposed regulation outweigh its costs. Rather, section 15 simply requires the Commission to "consider the costs and benefits" of the subject rule.

Section 15(a) further specifies that the costs and benefits of the proposed rule shall be evaluated in light of five broad areas of market and public concern: (1) Protection of market participants and the public; (2) efficiency, competitiveness, and financial integrity of futures markets; (3) price discovery; (4) sound risk management practices; and (5) other public interest considerations. The Commission may, in its discretion, give greater weight to any one of the five enumerated areas of concern and may, in its discretion, determine that, notwithstanding its costs, a particular rule is necessary or appropriate to protect the public interest or to effectuate any of the provisions or to accomplish any of the purposes of the Act.

The proposed rule imposes limited costs in terms of reporting requirements, particularly since most entities that trade on U.S. futures markets already

file larger trader reports with the Commission. Moreover, to reduce the cost of reporting, the Commission will periodically review the reporting level for SFPs, as it generally does for reporting levels for all commodities.⁹ The Commission also notes that it will be collecting these reports for itself as well as sharing them with the Securities and Exchange Commission, thereby diminishing the potential for duplication of this reporting burden. The countervailing benefits of these costs are that the Commission will have the necessary information to perform its market surveillance function and thus carry out its mandate of assuring the continued existence of competitive and efficient markets, protecting their price discovery function and protecting market participants and the public interest therein.

After considering these factors, the Commission has determined to propose the revision to part 15 set forth below.

The Commission specifically invites public comment on its application of the criteria contained in the Act for consideration. Commenters are also invited to submit any quantifiable data that they may have concerning the costs and benefits of the proposed rules with their comment letters.

II. Related Matters

A. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA), 5 U.S.C. 601 *et seq.*, requires that federal agencies, in proposing rules, consider the impact of those rules on small entities. The Commission has previously determined that large traders and FCMs are not "small entities" for purposes of the RFA.¹⁰ The proposed amendment to reporting requirements primarily impacts FCMs. Similarly, foreign brokers and foreign traders report only if carrying or holding reportable, *i.e.*, large positions. Therefore, the Acting Chairman, on behalf of the Commission, hereby certifies, pursuant to 5 U.S.C. 605(b), that the action taken herein will not have a significant economic impact on a substantial number of small entities.

The Commission invites comments from any firm believing that these rules would have a significant economic impact on its operations.

B. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) (PRA), which imposes certain requirements on federal agencies (including the Commission) in connection with their conducting or sponsoring any collection of information as defined by the PRA, does not apply to this rule. The Commission believes that the proposed rule amendment does not contain information requirements which require the approval of the Office of Management and Budget. The purpose of this rule is to establish a specific reporting level for security futures products.

List of Subjects in 17 CFR Part 15

Brokers, Reporting and recordkeeping requirements.

In consideration of the foregoing, and pursuant to the authority contained in the Act, and in particular sections 4g, 4i, 5, 5a and 8a of the Act, 7 U.S.C. 6g, 6i, 7, 7a and 12a, as amended, the Commission hereby proposes to amend Part 15 of Chapter I of Title 17 of the Code of Federal Regulations as follows:

PART 15—REPORTS—GENERAL PROVISIONS

1. The authority citation for part 15 is proposed to be revised to read as follows:

Authority: 7 U.S.C. 2, 5, 6a, 6c, 6f, 6g, 6i, 6k, 6m, 6n, 7, 7a, 9, 12a, 19, and 21, as amended by the Commodity Futures Modernization Act of 2000, Appendix E of Pub. L. No. 106-554, 114 Stat. 2763 (2000); 5 U.S.C. 552 and 552(b).

2. Section 15.03 is proposed to be amended by revising paragraph (b) to read as follows:

§ 15.03 Reporting levels.

* * * * *

(b) The quantities for the purpose of reports filed under Parts 17 and 18 of this chapter are as follows:

Commodity	Number of contracts
Agricultural:	
Wheat	100
Corn	150
Oats	60
Soybeans	100

⁶ See section 5f of the Act, 7 U.S.C. 7f.

⁷ See section 4f(a)(4) of the Act, 7 U.S.C. 6f(a)(4); 17 CFR 41.34. The Commission discussed the

application of its large trader reporting system to notice-designated contract markets when it adopted its rules governing these markets. See 66 FR 44960 (Aug. 27, 2001).

⁸ See 66 FR 43080 (Aug. 17, 2001).

⁹ See, *e.g.*, 65 FR 14452 (Mar. 17, 2000).

¹⁰ 47 FR 18618-20 (Apr. 30, 1982).

Commodity	Number of contracts
Soybean Oil	200
Soybean Meal	200
Cotton	50
Frozen Concentrated Orange Juice	50
Rough Rice	50
Live Cattle	100
Feeder Cattle	50
Lean Hogs	100
Sugar No. 11	400
Sugar No. 14	100
Cocoa	100
Coffee	50
Natural Resources:	
Copper	100
Gold	200
Silver Bullion	150
Platinum	50
No. 2 Heating Oil	250
Crude Oil, Sweet	350
Unleaded Gasoline	150
Natural Gas	175
Financial:	
Municipal Bond Index	300
3-month (13-Week) U.S. Treasury Bills	150
30-Year U.S. Treasury Bonds	1,000
10-Year U.S. Treasury Notes	1,000
5-Year U.S. Treasury Notes	800
2-Year U.S. Treasury Notes	500
3-Month Eurodollar Time Deposit Rates	1,000
30-Day Fed Funds	300
1-month LIBOR Rates	300
3-month Euroyen	100
Major-Foreign Currencies	400
Other Foreign Currencies	100
U.S. Dollar Index	50
S&P 500 Stock Price Index	1,000
E-Mini S&P Stock Price Index	300
S&P 400 Midcap Stock Index	100
Dow Jones Industrial Average Index	100
New York Stock Exchange Composite Index	50
Amex Major Market Index, Maxi	100
NASDAQ 100 Stock Index	100
Russell 2000 Stock Index	100
Value Line Average Index	50
NIKKEI Stock Index	100
Goldman Sachs Commodity Index	100
Security Futures Products:	
Individual Equity Security	1,000
Narrow-Based Index of Equity Securities	200
All Other Commodities	25

Issued in Washington, D.C., this 7th day of December, 2001, by the Commission.

Jean A. Webb,

Secretary of the Commission.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-106186-98]

RIN 1545-AW36

Withdrawal of Proposed Regulations Relating to Certain Corporate Reorganizations Involving Disregarded Entities; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to withdrawal of notice of proposed rulemaking.

SUMMARY: This document contains a correction to notice of proposed rulemaking (REG-106186-98) which was published in the **Federal Register** on Thursday, November 15, 2001 (66 FR 57400). This regulation relates to the withdrawal of proposed regulations relating to certain corporate reorganizations involving disregarded entities.

DATES: This correction applies as of November 15, 2001.

FOR FURTHER INFORMATION CONTACT: Reginald Mombrun, (202) 622-7750 (not a toll-free number).

SUPPLEMENTARY INFORMATION: