Regulation AT

Regulation Automated Trading (Reg AT) refers to the proposed CFTC legislation that is intended to overhaul the rulebook for conducting algorithmic trading of futures on US designated contract markets (DCMs) to account for the increasing degree of automation in trading and to prevent systems malfunctions that could threaten market stability. Following an initial 'Concept Release' in 2013, the CFTC conducted a formal consultation on Reg AT that ended in early 2016. The legislative proposals posited extensive minimum rules for persons categorised as 'AT Persons', as well as for Clearing FCMs and the DCMs themselves. There is no clear timescale for the adoption and implementation of final rules.

Who is this relevant for?

Reg AT is directly relevant for all CFTC registered entities that are involved in the algorithmic trading process for futures on US DCMs. This includes CFTC registered investment management firms that generate or execute orders algorithmically. It is also directly relevant for any proprietary trader who engages in algorithmic trading through direct electronic access. Even if not directly caught, Reg AT is likely also to be relevant for any investment manager that trades US futures due to the obligations placed on other entities in the transaction chain and the DCMs themselves.

What does it cover?

Reg AT covers the minimum systems and other controls obligations for all in-scope trading entities (known as 'AT Persons') as well as Clearing FCMs that provide market access and DCMs themselves. It also covers development and testing obligations for AT Persons, systems monitoring and, most controversially, summary access by the CFTC to source code records to be maintained by each AT Person.

The key topics covered by Reg AT include:

- Definitions of 'Algorithmic Trading', 'Direct Electronic Access', 'Algorithmic Trading Compliance Issue' and 'Algorithmic Trading Disruption';
- Operational **risk controls** for AT Persons, Clearing FCMs and DCMs;
- Development, **testing and monitoring** system obligations for AT Persons, Clearing FCMs and DCMs;
- **Recordkeeping and compliance reporting**

- the maintenance of a **'Source Code Repository'** to be made summarily available to the CFTC and DoJ by each AT Person;
- **Self-trade prevention** tools to be provided by DCMs and used by AT Persons;
- Strict rules for market-making and **trade incentive programs**;
- Greater **transparency** into the functioning of DCM matching engines; and
- Registration with the CFTC by unregistered **proprietary traders** accessing market through DEA.

Important future dates

There is no clear date for when the final rules will be published or when they will enter into force. The CFTC are still taking into account feedback received to its consultation paper and will likely not release final rules until end-2016 at the earliest. AIMA is engaging with the CFTC in relation to its ongoing work on Reg AT.

Where can I find more information?

On the AIMA website you will find:

- A detailed summary of the Reg AT proposals
- AIMA's written submissions on Reg AT

- Useful industry briefings on Reg AT
- AIMA's submission to the reopened Reg AT

Please contact AIMA's [markets regulation team](#) for more detail on any aspect of the new rules.