

**BACK TO THE (SINGLE STOCK) FUTURE:
THE NEW REGULATORY FRAMEWORK GOVERNING SINGLE-STOCK
FUTURES TRADING**

by

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On December 15, 2000, the 106th Congress passed the Commodity Future Modernization Act (CFMA). The CFMA contained wide-ranging changes to the financial derivatives market and reauthorized the Commodity Future Trading Commission. However, the landmark component of the CFMA, and the focus of this Comment, is the repeal of the ban on single-stock futures trading. Institutional and individual investors will now be able to purchase futures contracts on individual stocks. Single-stock futures provide a new and effective means to hedge against portfolio risk as well as the ability to cheaply speculate on stocks.

In 1982, the Shad-Johnson Accord banned single-stock futures trading because the CFTC and SEC were engaged in a jurisdictional turf battle and could not agree on which agency should regulate the instruments. This Comment examines the recent movement that led to the repeal of the Shad-Johnson Accord, and analyzes the language of the CFMA that provides for single-stock futures trading. This Comment then criticizes the regulatory framework established to govern single-stock futures trading as cumbersome and ineffective. The framework crafted by the CFMA grants authority to both the SEC and CFTC, and delegates the critical margin rate-making authority to the Federal Reserve Board. As a result, the inter-agency battles between the CFTC and SEC that have transpired since the creation of the CFTC, will continue under the CFMA.

Accordingly, this Comment proposes that a Regulatory Board be created in order to provide a single governing body to regulate single-stock futures trading. The Regulatory Board would be comprised of members of the SEC, CFTC and Federal Reserve Board, but would consolidate rulemaking authority in one body, as opposed to two agencies that rarely agree. This Comment argues that a Regulatory Board will be a more effective regulatory mechanism, and provide investors, brokers and markets with one voice on the regulation of single-stock futures.