

## Cabinet News and Views

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### CFTCs Increased Reach Over Environmental Commodities



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During 2023 the Commodity Futures Trading Commission (CFTC) engaged in several regulatory actions aimed at further clarifying its jurisdictional reach over environmental commodity markets generally and the voluntary carbon credit (VCC) markets in particular. First, on June 20, 2023, the CFTC issued an alert seeking whistleblower tips relating to carbon market misconduct. CFTC noted that many VCCs serve as the underlying commodity for futures contracts that are listed on CFTC designated contract markets (DCMs) over which the CFTC has full enforcement authority as well as the regulatory oversight. Importantly, the CFTC also noted that it has anti-fraud and anti-manipulation enforcement authority over the related spot markets for VCCs as well as carbon allowances and other environmental commodities products that are linked to futures contracts.

Second, on July 19, 2023 the CFTC held its second convening where several market participants expressed the view that reliability, integrity and resilience of VCCs will be significantly improved with greater regulatory involvement.

Third, in response to a growing demand to become more actively involved in environmental commodity markets on December 4, 2023, the CFTC issued proposed Guidance Regarding the Listing of Voluntary Carbon Credits Derivatives and Request for Comment (VCC Guidance). The VCC Guidance “outlines factors for a DCM to consider in connection with product design and listing [of futures contracts on VCCs] to advance the standardization of such products in a manner that promotes transparency and liquidity.

Further details are discussed in our recent Client & Friends Memo [here](#) authored by Peter Malyshev, Jason Halper and Jeffrey Nagle.

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