Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

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Person To Contact:
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Date:
August 12, 2026

Legend:

Exchange =

Entity =

Country =

Directive =

Country Act on Financial Supervision =

Date =

Income Tax Treaty =

Exchange Rulebook =

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Dear :

This is in reply to a letter submitted by Entity on September 10, 2025, and subsequent correspondence, requesting a ruling that Exchange is a "qualified board or exchange" within the meaning of section 1256(g)(7)(C) of the Internal Revenue Code (the "Code").

FACTS

Entity is a private limited liability company organized under the laws of Country. Entity operates Exchange. Entity provides financial, personnel, and material resources to Exchange.[1] Exchange is a regulated market in accordance with Directive and Country Act on Financial Supervision. Exchange is a fully electronic exchange. Only a trading participant admitted to Exchange (a "Participant") may trade on Exchange. The requirements for being admitted as a Participant are set out in Country Act on Financial Supervision and Exchange Rulebook. Exchange Rulebook provides for comprehensive supervision and is based on Country Act on Financial Supervision and Directive. Additionally, all transactions on Exchange, and the clearing of such transactions, are governed by Country Act on Financial Supervision, Exchange Rulebook, and Directive.

In regulations that became effective in 2012, the Commodity Futures Trading Commission ("CFTC") finalized rules that require the registration of any foreign board of trade ("FBOT") that wishes to provide U.S. participants direct access to the FBOT's electronic trading system. See Registration of Foreign Boards of Trade, 76 Fed. Reg. 80,674 (Dec. 23, 2011), as amended by 89 FR 66,201 (Aug. 15, 2024), (the "FBOT Regulation"). On Date, the CFTC granted Exchange an order of registration as an FBOT allowing Exchange to permit Participants located in the United States to enter trades directly into Exchange's order entry and trade matching system (the "Order of Registration").

Section 48.2(b) of the FBOT Regulation provides, in part, that an FBOT must possess the attributes of an established, organized exchange; adhere to appropriate rules prohibiting abusive trading practices; and enforce appropriate rules to maintain market and financial integrity.

Section 48.5(d)(2) of the FBOT Regulation provides that the CFTC evaluates, among other things, whether the FBOT and its clearing organization are subject to comprehensive supervision and regulation by the appropriate governmental authorities in their home country or countries that is comparable to the comprehensive supervision and regulation to which designated contract markets ("DCMs") and derivatives clearing organizations ("DCOs") are respectively subject under the Commodity Exchange Act, CFTC regulations, and other applicable United States laws and regulations.

[1] Entity represents that, under the laws of Country, Exchange does not have legal personhood or legal capacity separate from Entity.

Section 48.5(d)(5) of the FBOT Regulation provides that the CFTC will look to determine if the government authorities support and enforce regulatory objectives in the oversight of the FBOT and the clearing organization that are substantially equivalent to the regulatory objectives supported and enforced by the CFTC in its oversight of DCMs and DCOs.

Section 48.7 of the FBOT Regulation provides, in part, that the CFTC requirements for registration include rules providing that the automated trading system of the FBOT meets certain international standards, that contracts to be made available in the United States contain specified terms and conditions, that the clearing organization complies with certain international standards or the clearing organization registers with the CFTC as a DCO, and that the FBOT has implemented and enforces rules to ensure compliance with these and other CFTC requirements.

Exchange makes the following representations.

(1) Exchange holds a valid CFTC Order of Registration as an FBOT.

(2) All Exchange contracts are subject to a system of marking to market whereby gains are credited to accounts and losses are subjected to margin calls on a daily basis.

(3) Under Article a of the Income Tax Treaty, the Internal Revenue Service (the "Service") may gain access to information held by Exchange with respect to U.S. taxpayers.

(4) Exchange will maintain an agent for service within the United States, to receive and accept any request for information, summons, or subpoena from the Service or from any grand jury properly convened within the United States, which is related to the taxation of transactions in futures contracts traded on Exchange by any person.

(5) The supplying by Exchange of its records to a U.S. grand jury or to the Service will not be a violation of, or inconsistent with, the law of Country.

(6) Exchange will retain its records respecting derivatives trading on Exchange for a minimum of five years.

(7) Exchange will collect from all Participants that either have or are required to have United States taxpayer identification numbers their United States taxpayer identification numbers and, on request, will provide such information to the Service.

(8) Exchange will identify a senior management contact of each Participant and, on request, will make such information available to the Service. On request,

Exchange will ask Participants to identify their other executive officers to the Service.

(9) Exchange will provide such further information and assurances as may from time to time be requested by the Service in order to verify Exchange's entitlement to the determination under section 1256(g)(7)(C) of the Code.

(10) The Exchange Rulebook currently requires, and will be maintained to require, the following:

a) Participants that are subject to the reporting requirements of brokers under section 6045 of the Code and the Treasury Regulations thereunder shall comply with such requirements, as amended from time to time, with respect to transactions effected on, or otherwise subject to the rules of, Exchange in the manner prescribed by section 6045 of the Code, the Treasury Regulations thereunder, and such other provisions of the Code and Treasury Regulations that are pertinent thereto, including the filing of all returns that were required to have been filed under section 6045 of the Code but were not filed or were filed improperly. Failure of a Participant to comply with this provision will result in immediate suspension of such Participant's membership privileges on Exchange (and the privileges of any successor to such Participant) until the Participant complies with these requirements in all respects.

b) Upon request by Exchange, Participants (with respect to transactions occurring on Exchange) will supply to Exchange or directly to the Service or any grand jury properly convened within the United States all books, papers, records, or other data as described in section 7602 of the Code and the Treasury Regulations thereunder (the "Records"). Such requests will be made by Exchange whenever Exchange receives a written request, summons, or subpoena to produce such Records from the Service or from any grand jury. Failure of a Participant to comply with this provision will result in immediate suspension of such Participant's trading privileges on Exchange (and the privileges of any successor to such Participant) until the Participant complies with these requirements in all respects.

LAW AND ANALYSIS

Section 1256(a) of the Code provides, in general, for rules governing the character and timing of gain or loss on section 1256 contracts for federal income tax purposes.

Section 1256(b) of the Code provides that the term "section 1256 contract" generally includes, for example, any regulated futures contract.

Section 1256(g)(1) of the Code provides that the term “regulated futures contract” means a contract (A) with respect to which the amount required to be deposited and the amount which may be withdrawn depends on a system of marking to market and (B) which is traded on or subject to the rules of a qualified board or exchange.

Section 1256(g)(7) of the Code provides that the term “qualified board or exchange” means –

(A) a national securities exchange which is registered with the Securities and Exchange Commission,

(B) a domestic board of trade designated as a contract market by the Commodity Futures Trading Commission, or

(C) any other exchange, board of trade, or other market which the Secretary determines has rules adequate to carry out the purposes of section 1256 of the Code.

Based on the foregoing, including the Order of Registration, we determine that Exchange has rules adequate to carry out the purposes of section 1256 of the Code and is thus a qualified board or exchange within the meaning of section 1256(g)(7)(C) of the Code. This ruling is conditioned on the representations set forth above and compliance therewith.

Except as specifically ruled upon above, no opinion is expressed or implied concerning the federal tax consequences relating to the facts discussed or referenced in this letter.

This ruling is directed only to Entity. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

The ruling contained in this letter is based upon information and representations submitted by Entity and accompanied by penalty of perjury statements executed by an appropriate party. While this office has not verified any of the material submitted in support of this request for a ruling, it is subject to verification on examination.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

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Pamela Lew
Senior Counsel, Branch 2
Office of Associate Chief Counsel
(Financial Institutions & Products)

Cc: