

Part I

Section 1256.—Section 1256 Contracts Marked to Market

(Also §§ 446, 481, 7805; 1.446-1, 301.7805-1).

Rev. Rul. 2024-22

ISSUE

Is Bourse de Montréal (MX), which is a regulated exchange of Québec, Canada, a qualified board or exchange within the meaning of § 1256(g)(7)(C) of the Internal Revenue Code (Code)¹?

FACTS

MX is a regulated exchange of Québec, Canada. On December 23, 2011, the Commodity Futures Trading Commission (CFTC) published final rules regarding the registration with the CFTC of foreign boards of trade (FBOT). See Registration of Foreign Boards of Trade, 76 FR 80674 (Dec. 23, 2011), codified at 17 CFR Part 48. The effective date for the final rules was February 21, 2012. Under the CFTC FBOT registration system, the CFTC may issue an Order of Registration to an FBOT, allowing the FBOT to provide direct access to its electronic trading and order matching system

¹ Unless otherwise specified, all “Section” or “§” references are to sections of the Code.

from the United States. On August 25, 2015, the CFTC granted an Order of Registration to MX under the CFTC FBOT registration system. An FBOT's status under the CFTC FBOT registration system is posted online by the CFTC.

Rev. Rul. 86-7, 1986-1 C.B. 295, determined that the Mercantile Division of the Montréal Exchange is a qualified board or exchange within the meaning of § 1256(g)(7)(C). The Mercantile Division of the Montréal Exchange was an exchange associated with MX that has ceased operations and is now dormant.

LAW

Section 1256(g)(7) provides that the term "qualified board or exchange" means:

- (A) a national securities exchange that is registered with the Securities and Exchange Commission,
- (B) a domestic board of trade designated as a contract market by the CFTC, or
- (C) any other exchange, board of trade, or other market that the Secretary of the Treasury or her delegate determines has rules adequate to carry out the purposes of § 1256.

HOLDING

The Internal Revenue Service (IRS) determines that MX, which is a regulated exchange of Québec, Canada, is a qualified board or exchange within the meaning of § 1256(g)(7)(C) as long as MX holds a valid Order of Registration under the CFTC FBOT registration system.

EFFECT ON OTHER REVENUE RULINGS

Rev. Rul. 86-7 is obsolete.

PROSPECTIVE APPLICATION

Under the authority of § 7805(b)(8), this revenue ruling is effective for MX Contracts entered into on or after November 1, 2024. In the preceding sentence, the term "MX Contracts" means futures contracts and futures contract options that are traded on or subject to the rules of MX, that are described in § 1256(g)(1)(A), and that are not covered by the exception in § 1256(b)(2).

Under the authority of § 7805(b)(8), the IRS will not challenge a position taken prior to November 1, 2024, with respect to a transaction occurring prior to such date, by a taxpayer that reasonably relied on the conclusion in Rev. Rul. 86-7.

CHANGE IN METHOD OF ACCOUNTING

A change in the treatment of MX Contracts to comply with this revenue ruling is a change in method of accounting within the meaning of §§ 446 and 481 and the regulations thereunder. The Commissioner grants consent to a taxpayer to change its method of accounting for MX Contracts entered into on or after November 1, 2024, to the § 1256 mark-to-market method for the first taxable year during which the taxpayer holds such contracts. The requirement to file a Form 3115, *Application for Change in Accounting Method*, in § 1.446-1(e)(3)(i) of the Income Tax Regulations is waived. The change is made on a cut-off basis and is inapplicable to MX Contracts that were entered into before November 1, 2024. Because the change is made on a "cut-off" basis, there is no potential omission or duplication of income or deductions, and an adjustment under § 481 is neither permitted nor required.

DRAFTING INFORMATION

The principal author of this revenue ruling is Jonathan A. LaPlante of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue ruling, contact Jonathan A. LaPlante at (202) 317-5102 (not a toll-free number).