

Joint Audit Committee

Regulatory Update

To: Chief Financial Officers
Chief Compliance Officers

9601

Date: March 8, 1996

Re: Proposed Rule Changes - Financial Reporting and Debt to Equity Ratio Requirements

Attached for your information is the [Federal Register](#) Release that sets forth the Commodity Futures Trading Commission's ("CFTC") proposed rule changes concerning financial reporting cycles and debt to equity ratio requirements for FCMs and IBS. The proposals are intended to conform the CFTC's rules to those of the Securities and Exchange Commission ("SEC") in an effort to foster greater harmonization of CFTC and SEC rules. The CFTC has requested that comments on its proposed rules be submitted to Jean A. Webb, Secretary of the Commission, CFTC, 1155 21st Street, N.W., Washington, D.C. 20581 by March 27, 1996.

The following is a summary of the Commission's proposals:

- Financial reports that need not be certified by an independent public accountant must be filed within 17 business days of the end of the reporting period. Currently, the CFTC allows 45 calendar days for the preparation of these statements.
- Certified financial reports must be filed within 60 calendar days of the firm's fiscal year-end. Currently, the CFTC allows 90 calendar days for the preparation of these statements.
- Monthly capital computations must be available for inspection within 10 business days of month-end. Currently, the CFTC allows 30 calendar days of month-end for the preparation of these computations.
- The provision which permits an SRO to allow its member FCMs to file interim financial reports semiannually rather than quarterly will be deleted.
- The debt to equity ratio requirements will be amended such that the 30% minimum equity requirements would apply to all of a firm's capital, rather than only to that portion of a firm's capital necessary to meet the minimum financial requirements.

If you have any questions regarding the proposed rule changes, please contact your DSRO.