

Joint Audit Committee

Regulatory Update

To: Chief Financial Officers
Chief Compliance Officers

9703

Date: May 20, 1997

Subject: Relief from Separate Acknowledgment Letters for Customer Accounts at Domestic Clearing Organizations

At the request of the Joint Audit Committee, the CFTC recently granted relief from the provisions within CFTC Regulations 1.20 and 30.7(c)(v) requiring separate acknowledgment letters for customer funds held at domestic clearing organizations. See Attached. As domestic clearing organizations are required to hold all customer funds in accordance with the Commodity Exchange Act and CFTC Regulations, separate acknowledgment letters provide no additional customer protections.

The CFTC relief was only granted for customer accounts at domestic clearing organizations whose rules specifically provide that all customer funds held by it are held pursuant to the Commodity Exchange Act and CFTC Regulations. Thus, for such accounts, FCMs are no longer required to obtain and retain separate acknowledgment letters.

Each clearing house will adopt the necessary rules and notify its member FCMs when they are effective.

If you have any questions, please contact your DSRO.