

Joint Audit Committee

Regulatory Update

To: Chief Financial Officers 9707
Chief Compliance Officers

Date: September 11, 1997

Subject: Amendments to CFTC Regulation 1.25 (Investment of Customer Funds)

At the initiative of the Joint Audit Committee, the CFTC recently amended CFTC Regulation 1.25 to allow an FCM to directly transfer permitted security investments into and out of segregated safekeeping accounts. Prior to the amendment, an FCM was prohibited from the direct transfer of security investments into a segregated safekeeping account. Rather, the FCM was required to liquidate the nonsegregated securities, transfer the cash proceeds, and then repurchase the securities. Subsequent proceeds from the sale of segregated investments had to be deposited into a segregated account. The amendments to CFTC Regulation 1.25 will provide an FCM greater flexibility to increase or decrease segregated funds while reducing transaction costs and exposure to market risk.

CFTC Regulation 1.27 was also amended to require FCMs to include in their records the CUSIP number of segregated investments.

Attached is the [Federal Register](#) which contains the amendments to the regulations. If you have any questions, please contact your DSRO.