

Joint Audit Committee

Regulatory Update

To: Chief Financial Officers
Chief Compliance Officers 9708

Date: October 7, 1997

Subject: Proposed Amendments to CFTC Regulations Regarding Risk Disclosure Statements

The CFTC recently released proposed amendments to its regulations that would no longer require an FCM to provide to certain financially accredited customers the risk disclosure statements required by Regulations 1.55(a), 1.65(a)(3), 30.6(a), and 33.7(a) and obtain the acknowledgment of receipt of the risk disclosure statements. Such customers include:

1. A bank or trust company.
2. A savings association or credit union.
3. An insurance company.
4. An investment company subject to regulation under the Investment Company Act of 1940 or a foreign entity performing a similar role or function subject as such to foreign regulation, provided that such investment company has total assets exceeding \$5,000,000.
5. A pool operated by a commodity pool operator registered under the Commodity Exchange Act or exempt from such registration or by a foreign person performing a similar function to that of a commodity pool operator and subject as such to foreign regulation.
6. A corporation, partnership, proprietorship, organization, trust, or other entity: (A) which has total assets exceeding \$10,000,000; or (B) which has a net worth of \$1,000,000.
7. An employee benefit plan subject to the Employee Retirement Income Security Act of 1974, or a foreign person performing a similar role or function and subject as such to foreign regulation, with total assets exceeding \$5,000,000 or whose investment decisions are made by a bank, trust company, insurance company, investment adviser subject to regulation under the Investment Advisers Act of 1940 or a commodity trading advisor subject to regulation under the Commodity Exchange Act.
8. Any governmental entity (including the United States, any state or any foreign government) or political subdivision thereof, or any multinational or supranational entity or any instrumentality, agency, or department of any of the foregoing.
9. A broker-dealer subject to regulation under the Securities Exchange Act of 1934 or a foreign person performing a similar role or function subject as such to foreign regulation, acting on its own behalf: provided, however, that if such broker-dealer is a natural

person or proprietorship, the broker-dealer must also meet the requirements of points 6 or 11.

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10. A futures commission merchant, floor broker, or floor trader subject to regulation under the Commodity Exchange Act or a foreign person performing a similar role or function subject as such to foreign regulation.
11. Any natural person with total assets exceeding \$10,000,000.

Attached is a copy of the [Federal Register](#) with comments due to the CFTC by November 10, 1997.

If you have any questions, please contact your DSRO.