

Joint Audit Committee

Regulatory Update

To: Chief Financial Officers
Chief Compliance Officers

9801

Date: January 9, 1998

Re: CFTC Request for Comments on Proposed Rule Making

Attached are two Federal Registers where the CFTC has requested comments on proposed rules. These are very important issues and should be carefully reviewed by all FCMs. Each FCM should seriously consider commenting on these proposals directly to the CFTC.

[Concept Release on the Denomination of Customer Funds and the Location of Depositories \(Interpretation #12\) - Comments due March 2,1998](#)

The CFTC is requesting comments on how to address risks related to holding segregated funds either offshore or in foreign currencies. In this release the CFTC has set forth six general categories with a number of alternative treatments described in each category. They are asking commenters to indicate their preferred alternative or to suggest other methods. The categories are:

1. The Permissible Denomination of Obligations.
2. The Permissible Denomination of Assets Held in Segregation.
3. The Permissible Location of Segregated Funds.
4. The Qualifications of Non-U.S. Depositories.
5. The Segregation and Net Capital Treatment of Customer Funds held Offshore in Foreign Currencies.
6. The Bankruptcy Treatment of these Funds.

The Joint Audit is a representative committee of U.S. futures exchanges and regulatory organizations including the ACC, CBOT, CME, COMEX, CSC, KCBOT, MCE, NYCE, NYFE, NYMEX, PBOT, and NFA.

Proposed Rulemaking Permitting Future-Style Margining of Commodity Options
Comments due February 2,1998

The CFTC is proposing the repeal of Commission Regulation 33.4(a)(2) which requires the full up front payment of commodity option premiums. This would allow futures-style margining of commodity option traded on regulated futures exchanges.

If you have any questions regarding these proposals please contact your DSRO.