

Joint Audit Committee

Regulatory Update

To: Chief Financial Officers 9804
Chief Compliance Officers

Date: March 13, 1998

Subject: Amendments to CFTC Regulations Regarding Risk Disclosure Statements

The CFTC recently adopted amendments to its regulations that no longer require an FCM to provide to certain qualifying 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 qualifying 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. 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 10.

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9. 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.
10. Any natural person with total assets exceeding \$10,000,000.

The only change from the original proposal is that governmental entities are not included as qualifying customers.

Attached is a copy of the [Federal Register](#).

If you have any questions, please contact your DSRO.