

# Joint Audit Committee

## Regulatory Update

TO: Chief Financial Officers  
Chief Compliance Officers

03-01

DATE: February 19, 2003

SUBJECT: CFTC Regulation 1.49 – Denomination of Customer Funds & Location of Depositories

In recognition of the growing internationalization of the futures and options marketplace, the CFTC has adopted Regulation 1.49 which allows, under certain conditions, the holding of customer segregated funds in foreign depositories and in non-U.S. currencies.

Regulation 1.49 replaces Financial and Segregation Interpretation #12 and becomes effective March 6, 2003. Under the new regulation, firms are no longer required to obtain subordination letters from their customers regarding segregated funds held offshore or in foreign currencies. In brief, Regulation 1.49 discusses:

- Permissible Currencies;
- Location of Depositories;
- Qualifications of Depositories; and
- Segregation Requirements.

In conjunction with the adoption of Regulation 1.49, Part 190 Bankruptcy Provisions were amended to govern the distribution of customer segregated funds held in a depository outside the U.S. or in a foreign currency.

Finally, the requirements for banks and trust companies acceptable under Regulation 30.7 were expanded to include any depository acceptable under Regulation 1.49.

Regulation 1.49 was published in the Federal Register on February 4, 2003 and may be found on the CFTC's Web site at [www.cftc.gov](http://www.cftc.gov).

If you have any questions, please consult your DSRO and/or the Commission.