

Joint Audit Committee

REGULATORY UPDATE

TO: Chief Financial Officers
Chief Compliance Officers

#09-05

DATE: April 29, 2009

SUBJECT: Update - The Reserve Primary Fund Valuation

Effective September 22, 2008, the SEC issued an order (Release No. 28386) pursuant to section 22(e)(3) of the Investment Company Act of 1940 temporarily suspending redemption of shares and postponing payment for shares which have been submitted for redemption of the Reserve Primary Fund until the markets are liquid to a degree that enables each Fund to liquidate portfolio securities without impairing the NAV of each Fund. The Reserve Primary Fund has subsequently made distributions on October 30, 2008, December 3, 2008, and February 20, 2009, and April 17, 2009.

The total remaining assets of the Primary Reserve Fund equal approximately \$5.3 billion, which include debt securities of Lehman Brothers Holdings, Inc. with a face value of \$785 million, and are subject to a litigation reserve of \$3.5 billion. As such, the Joint Audit Committee has directed firms to value Reserve Primary Fund investments, regardless of redemption date, for customer segregation, secured 30.7 and capital at a maximum of 18% of remaining investments effective today, April 29, 2009.

The CFTC has issued a staff letter (attached) outlining the proper treatment and valuation of the Reserve Primary Fund investments. As the extent and timing of any future distributions remains uncertain, all Reserve Primary Fund investments, regardless of redemption date, will have no value for customer segregation, secured 30.7 and capital as of May 15, 2009.

If you have any questions, please consult your DSRO.



U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of Clearing and
Intermediary Oversight

Ananda Radhakrishnan
Director

April 29, 2009

Debra K. Kokal
Director, Audit Department
CME Group
20 S. Wacker Dr.
Chicago, IL 60606

Re: Request for Updated Guidance

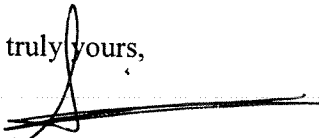
Dear Ms. Kokal:

This letter updates the guidance that the Division of Clearing and Intermediary Oversight (the "Division") has previously provided to the Joint Audit Committee (the "JAC") by letters dated September 24, 2008 and March 2, 2009. Each of these letters addresses regulatory reporting requirements applicable to futures commission merchants ("FCMs") with investments in the Reserve Primary Fund (the "Fund"), a money market mutual fund that is operating under a Plan of Liquidation and Distribution of Assets under the oversight of the U.S. Securities and Exchange Commission.

Cash distributions to FCMs by the Fund were made on October 30, 2008, December 3, 2008, February 20, 2009, and April 17, 2009. The total remaining assets of the Fund equal approximately \$5.3 billion, which include debt securities of Lehman Brothers Holding, Inc. with a face value of \$785 million, and are subject to a litigation reserve of \$3.5 billion. The Division is mindful that the distributions to date have occurred over a period of several months, and that the extent and timing of any future distributions remains uncertain. Therefore, effective May 15, 2009, any remaining investments in the Fund will have no value for purposes of FCM customer segregation, Part 30 secured amount, and adjusted net capital computations.

This letter is applicable solely to regulatory reporting requirements with respect to investments in the Fund, and does not excuse any FCM from compliance with any other applicable requirements contained in the Commodity Exchange Act or in the Commission's regulations issued thereunder. This letter represents the position of the Division only and does not necessarily represent the views of the Commission or those of any other division or office of the Commission. If you have any questions concerning this correspondence, please contact Thelma Diaz, Associate Director, at (202) 418-5137.

Very truly yours,


Ananda Radhakrishnan
Director