Joint Audit Committee

REGULATORY UPDATE

TO: Chief Financial Officers
Chief Compliance Officers

#10-04

DATE: March 31, 2010

SUBJECT: Foreign Currency Capital Charge

As noted on page 7-4 of the Form 1-FR-FCM Instructions Manual, an FCM that carries assets and liabilities, denominated in a foreign currency, must take a charge against net capital for the net amount of uncovered foreign currency balances. The applicable charge is either 6% or 20% under CFTC Regulation 1.17(c)(5)(ii).

Nonsegregated and segregated assets, liabilities, forward contracts, and fixed price commitments in the same currency are to be factored together in the determining the amount subject to the charge. The net asset or net liability balances in British Pounds, Japanese Yen, Canadian Dollars, Swiss Francs and Euros are subject to a 6% charge. The net asset or net liability balances in all other currencies are subject to a 20% charge.

For dually registered FCM/Broker Dealers, the Risk Oversight and Operational Regulation Department of FINRA has confirmed that the application of the capital charge on the net asset or net liability is consistent with Net Capital Interpretation SEC Rule 15c3-1(c)(2)(vi)/08.

If you have questions, please consult your DSRO.