

Joint Audit Committee

REGULATORY UPDATE

TO: Chief Financial Officers
Chief Compliance Officers

#10-05

DATE: March 31, 2010

SUBJECT: Independent Pricing for Readily Marketable Securities

The Commodity Futures Trading Commission (“Commission”) has defined the term “readily marketable” by incorporating by reference the definition of “ready market” found in SEC Rule 15c3-1(c)(11). That definition, in relevant part, includes the existence of independent bona fide offers to buy and sell securities so that a price reasonably related to the last sales price or current bona fide competitive bid and offer quotations can be determined almost instantaneously.

Data service providers and securities pricing vendors used by FCMs may provide securities pricing using theoretical modeling, either in part or full. Acquisition of a theoretical price is not sufficient evidence that a security has met the requirements outlined within the definition of readily marketable. Should an FCM rely on theoretical pricing, additional evidence must be acquired and retained to support the requirements of readily marketable outlined within the definition.

FCMs are reminded to obtain a complete understanding of the pricing sources used for ensuring securities meet the definition of readily marketable as referred to in the Commission’s Regulations.

If you have questions, please consult your DSRO.