

# Joint Audit Committee

## REGULATORY ALERT

TO: Chief Executive Officers #14-09  
Chief Financial Officers  
Chief Compliance Officers

DATE: November 19, 2014

SUBJECT: CFTC No-Action Relief pertaining to Regulation 30.7

In response to a request by the Futures Industry Association, the CFTC recently issued no-action relief pertaining to CFTC Regulation 30.7(c) and provided guidance as to certain secured 30.7 funds transactions. CFTC Regulation 30.7(c) limits the amount of funds an FCM may hold outside of the U.S. in secured 30.7 accounts to 120% of the total amount of funds required to meet 30.7 margin requirements.

CFTC No-Action and Interpretation Letter #14-138, dated November 13, 2014, provides:

- An FCM may exclude secured 30.7 funds deposited with foreign banks or trust companies in calculating the 120% of total margin requirements that the FCM may hold with depositories in accounts outside of the U.S. if the foreign bank or trust company maintains at least \$1 billion of Tier 1 capital and the FCM has obtained the appropriate acknowledgement letter.
- In certain instances involving timing differences in the movement of customer funds between the FCM and non-U.S. brokers or clearing organizations, the FCM may net the funds it requested from a foreign broker or clearing organization with the funds the foreign broker or clearing organization has requested from the FCM.
- Certain transactions involving the “re-balancing” of U.S. Dollars and foreign currencies will be considered as transactions for the benefit of 30.7 customers and not subject to the 25% withdrawal restrictions of CFTC Regulation 30.7(g) if the specified conditions are met.

While relief has been provided for the movement and re-balancing of 30.7 customer funds per the above, this relief only applies in limited circumstances and has requirements which are detailed in the Interpretative Letter.

Refer to No-Action and Interpretative Letter #14-138 on the CFTC's web site at: <http://www.cftc.gov/ucm/groups/public/@llettergeneral/documents/letter/14-138.pdf>.

If you have any questions, please contact your DSRO.