

Joint Audit Committee

REGULATORY ALERT

TO: Chief Executive Officers #20-01
Chief Financial Officers
Chief Compliance Officers

CC: Division of Swap Dealer and Intermediary Oversight, CFTC

DATE: May 27, 2020

SUBJECT: Guaranteed Obligations and Liabilities of Subsidiaries or Affiliates

This JAC Regulatory Alert is intended to serve as a reminder to futures commission merchants (“FCMs”) of certain requirements in Commodity Futures Trading Commission (“CFTC”) Regulations requiring the reporting of guaranteed obligations and liabilities of subsidiaries or affiliates in the computation of adjusted net capital.

CFTC Regulations require that FCMs shall not guarantee, endorse, or assume directly or indirectly any obligation or liability of a subsidiary or affiliate unless the obligation or liability is reflected in the computation of adjusted net capital pursuant to [CFTC Regulation 1.17\(f\)\(4\)](#).

Consistent with the [CFTC’s 1-FR Instruction Manual](#), any guaranteed obligations and liabilities of subsidiaries or affiliates which are not otherwise reported through consolidation of that entity must be reflected in the computation of adjusted net capital. CFTC regulations and the CFTC’s 1-FR Instruction Manual require the full amount of the guaranteed obligation or liability to be reflected in the computation of adjusted net capital.

If you have any questions, please contact your DSRO.