

Joint Audit Committee

REGULATORY ALERT

TO: Chief Executive Officers #21-01
Chief Financial Officers
Chief Compliance Officers

CC: Markets Participants Division, CFTC

DATE: September 15, 2021

SUBJECT: Updated Procedures to Submit Subordinated Loan Agreements

In accordance with CFTC Regulations, Futures Commission Merchants (“FCMs”) are required to file proposed subordinated loan agreements (“SLAs”) with their Designated Self-Regulatory Organization (“DSRO”) for approval prior to the agreement becoming effective. To increase efficiencies and ensure consistency, proposed SLAs are now required to be submitted via the WinJammer™ Online Filing System under the "Subordinated Loan Agreement" filing option.

SLA templates can be found at <http://jacfutures.com/jac/Documents.aspx#>. FCMs should also file with the SLA an Information Statement setting forth the name, address, business relationship of the lender to the FCM and whether the FCM carried funds or securities for the lender at or about the time the proposed SLA was filed. Proposed SLAs and an Information Statement must be filed with the DSRO as outlined in CFTC Regulation 1.17(h)(3)(vi).

For a dually registered FCM/Broker-Dealer, any and all SLAs and other documentation (including subsequent loan amendments, lender assignments, drawdowns, and prepayment requests) sent to FINRA must be simultaneously sent to their DSRO for approval. FINRA’s standard SLAs are acceptable provided they include a rider containing certain CFTC required language to ensure compliance with CFTC regulations. FCM/Broker-Dealers should also promptly submit approval letters issued by FINRA for all requested transactions and changes to their DSRO.

The Subordinated Loan Agreement filing option should also be used to file subsequent loan amendments, lender assignments, drawdowns, prepayment requests and approval letters.

If you have any questions, please contact your DSRO.