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CFTC Staff Provide Guidance, No-Action Relief for FCM Separate Account Practices

Washington, DC — The Commodity Futures Trading Commission's (CFTC) Division of Swap Dealer and Intermediary Oversight (DSIO) and Division of Clearing and Risk (DCR) today issued a joint DSIO staff advisory interpretation and DCR time limited no-action relief letter related to the treatment of separate accounts by futures commission merchants (FCMs). This advisory and no-action relief letter address CFTC Regulation 1.56 and its prohibition on limited recourse and FCM margining practices for customers with more than one futures account.

"Today's advisory underscores the prohibition on an FCM's ability to limit recourse for any customer," said DSIO Director Matthew Kulkin. "Further, the time-limited no-action relief allows derivative clearing organizations (DCOs) to permit FCMs to continue some margining practices relied upon by FCMs to accommodate separate accounts of the same owner. CFTC staff's recognition of these practices carefully balances the needs of certain customer relationships without increasing the risk to clearing member FCMs, provided that the FCM also complies with rigorous risk management conditions."

The no-action relief would permit DCOs to allow FCMs to treat separate accounts for the same beneficial owner separately for margin purposes, including the withdrawal of excess margin, provided that specified risk management conditions were met. The no-action relief is time limited to two years to allow staff time to recommend, and the Commission time to conduct, a rulemaking that would make permanent the ability of FCMs to separately margin separate accounts of the same beneficial owner, under specified risk management controls that would appropriately support market integrity and customer protection.