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September 26, 2012

**SUBJECT: CFTC grants certain relief for Rule 1.73**

Dear FIA Members:

Today Commodity Futures Trading Commission (CFTC) staff granted an extension of time to comply with certain provisions of the clearing member risk management rule, Rule 1.73, which is scheduled to go into effect on October 1, 2012. The CFTC letter also provides further guidance on certain provisions relating to the automated screening of orders (see attached CFTC staff “no action” letter).

The FIA has been working closely with the Commission and its staff over the last several months to address specific concerns with the implementation of certain provisions of this rule on October 1 and to request relief, where appropriate, for clearing member FCMs where additional time is needed to address the consequences of the rule (see attached July FIA letter).

Importantly, the CFTC staff letter extends the compliance deadline to June 1, 2013 for give-ups and bunched orders for both futures and swaps. It also clarifies that FCM-set risk controls at certain exchanges, such as CME’s Globex and ICE’s WebICE, will be acceptable for compliance with the automated screening of orders requirement in Rule 1.73. Where certain exchanges do not offer these types of FCM-set controls, the CFTC grants clearing FCMs utilizing these exchanges relief from complying with those provisions, if necessary, until the DCM puts those FCM-set controls in place or June 1, 2013, whichever is earlier.

The CFTC letter also clarifies that, in the case of a clearing organization that is required to be registered with the CFTC as a DCO only with respect to certain products, e.g., LCH.Clearnet Ltd. with respect to its SwapClear service, Rule 1.73 is only applicable to those products for which the clearing organization is registered with the CFTC as a DCO.

The letter also confirms that non-automated execution requires more flexibility and it reiterates the CFTC’s language from its April *Federal Register* release for Rule 1.73 that risk controls reasonably designed to ensure compliance are sufficient for non-automated order execution such as open outcry and voice execution.

During this period of relief, FIA will continue to work with the Commission and CFTC staff to provide further guidance as issues arise. In the coming weeks, FIA plans to host industry discussions on the remaining issues for complying with Rule 1.73 and any possible solutions that may exist. While significant operational and technological challenges remain, especially as it pertains to give-ups and bunched orders, today’s relief will allow the industry some ability to scope the market structure complications raised by Rule 1.73 and work to develop a plan for overcoming these difficulties. We

recognize that the industry greatly benefits from strong risk management practices at all levels, and we look forward to continued discussions with the CFTC on these issues.

Sincerely,

A handwritten signature in black ink that reads "Walt L. Lukken". The signature is written in a cursive style with a large, prominent initial "W".

Walt Lukken  
President and CEO  
Futures Industry Association