

MEMO# 27251

May 23, 2013

ICI and Other Trades Submit Request to CFTC to Extend Compliance Date for Bunched Order Agreements under Rule 1.73

[27251]

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TO: DERIVATIVES MARKETS ADVISORY COMMITTEE No. 37-13 RE: ICI AND OTHER TRADES
SUBMIT REQUEST TO CFTC TO EXTEND COMPLIANCE DATE FOR BUNCHED ORDER
AGREEMENTS UNDER RULE 1.73

On May 21, ICI along with the Futures Industry Association, the Managed Funds Association, and the Securities Industry and Financial Markets Association's Asset Management Group submitted a letter to the Division of Clearing and Risk ("Division") of the Commodity Futures Trading Commission ("CFTC") to request an extension of time with respect to the obligations of account managers and futures commission merchants ("FCMs") under Rule 1.73(a)(2)(v)(B) until September 1, 2013. The current compliance date for Rule 1.73 is June 1. A copy of the letter is attached.

Under Rule 1.73(a)(2)(v) (B), when an account manager bunches orders on behalf of multiple customers for execution as a block and post-trade allocation to individual accounts for clearing, the FCMs that clear the allocated trades on behalf of underlying customers ("Ultimate FCMs") are required: (1) to establish risk-based limits for each customer and (2) to enter into an agreement in advance with the account manager that requires the account manager to screen orders for compliance with those limits. An account manager would include a fund manager that bunches orders for multiple funds.

In an effort to ensure that an "agreement" for purposes of Rule 1.73(a)(2)(v) (B) is in place by the compliance date, the FIA has been working toward the creation of an industry solution for compliance with the requirements for bunched orders. In this regard, the FIA has drafted an agreement/notice that FCMs can send to the account managers. We understand that the CFTC staff has agreed that this agreement/notice would satisfy the "agreement" provision of Rule 1.73(a)(2)(v)(B). A copy of the agreement/notice is attached.

The agreement/notice provides, in part, that the Ultimate FCM expects that orders executed

by the account manager should comply or otherwise be consistent with the applicable risk limit that has been communicated to the account manager. In addition, if an account manager and the Ultimate FCM have entered into a separate agreement or arrangement regarding the establishment and communication of any risk limits, this agreement/notice would not amend those agreements. It is not intended that the agreement/notice require execution by the FCM and the account manager to be effective.

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[Attachment](#)

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