



# Commodity Futures Trading Commission

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## Proposed Rule Regarding Removing References to Credit Ratings from Commission Regulations

The Commodity Futures Trading Commission (CFTC) announced the publication in the Federal Register of proposals to remove certain references to or reliance on credit ratings in current CFTC regulations. The proposals implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

**On July 21, 2010, the Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act. Among other things, the Dodd-Frank Act requires Federal agencies to:**

- Review their regulations that require the use of a credit-worthiness assessment of a security or money market instrument;
- Remove any reference to or reliance on credit ratings in those regulations and substitute an appropriate standard of credit-worthiness;
- Work to develop uniform standards of credit-worthiness; and
- Report to Congress after the completion of the rulemaking process.

**The Commission has completed the required review of its regulations, and the Proposal removes the following references and substitutes them with these standards:**

**CFTC Regulation 1.49 - *Denomination of Customer Funds and Location of Depositories, Qualifications for Depositories*:** We are proposing to remove the clause in this regulation that previously allowed the placement of customer funds in foreign depositories that issued highly rated commercial paper or long term debt instruments. We propose to rely on the standard that customer funds be placed only in foreign depositories that have in excess of \$1 billion of regulatory capital.

**CFTC Regulation 4.24 - *Commodity Pool Operators and Commodity Trading Advisors – General Disclosures Required; Investment Program and Use of Proceeds*:** We are proposing to remove the reference to “investment rating” in this regulation and substitute it with phrase “credit-worthiness.”

**The Proposal notes other references to credit ratings that are removed or amended in other concurrent Commission Proposals:**

- CFTC Regulation 1.25 – *Investment of Customer Funds*
- CFTC Regulation 30.7 - *Treatment of Foreign Futures or Foreign Options Secured Amount*
- Appendix A to Part 40- *Application for Designation of Physical Delivery Futures Contracts and Application for Cash Settled Futures Contracts*

**The Commission is working to develop uniform standards of credit-worthiness by engaging in consultation with the:**

- Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve (FRB) and other regulators.