

# Joint Audit Committee

## REGULATORY ALERT

TO: Chief Executive Officers  
Chief Financial Officers  
Chief Compliance Officers #25-01

CC: Market Participants Division, CFTC

DATE: March 6, 2025

SUBJECT: CFTC Regulation 1.25 Amendments – Investment of Customer Funds

CFTC Regulation 1.25 was amended to revise the list of investments that futures commission merchants (“FCMs”) and derivatives clearing organizations (“DCOs”) are permitted to make with customer funds. Additionally, the CFTC is no longer requiring FCMs to deposit customer funds with depositories that agree to provide staff in the Market Participants Division with direct, read-only electronic access to accounts holding customer funds. Certain related and conforming changes were also made to other regulations to reflect the amendments to the list of permitted investments. Unless otherwise indicated, the amendments became effective February 21, 2025.

### Permitted Investments

The amendments to CFTC Regulation 1.25 add two new asset classes, limit the scope of money market funds (“MMFs”), and remove certain other asset classes. Specifically:

- FCMs and DCOs may now invest in foreign sovereign debt instruments issued by Canada, France, Germany, Japan, and the United Kingdom as well as certain short-term U.S. Treasury exchange-traded funds (“ETFs”), subject to conditions.
- Investments in MMFs are limited to Government MMFs as defined in SEC Rule 2a-7 provided that the Government MMF does not choose to rely on the ability to impose discretionary liquidity fees consistent with the requirements of 17 CFR 270.2a-7(c)(2)(i).
- Commercial paper, corporate notes, and corporate bonds were removed from the list of permitted investments due to the expiration of the Temporary Liquidity Guarantee Program.
- Bank-issued certificates of deposit were also removed from the list of permitted investments.

In addition to the revisions to the list of permitted investments, SOFR replaced LIBOR as a permitted benchmark for variable and floating interest rates for securities that qualify as permitted investments.

### Related and Conforming Changes

Due to the changes to the list of permitted investments, other related and confirming changes were made, including:

- Specifying the capital charges that apply to foreign sovereign debt and ETFs;
- Changing the counterparty and depository requirements of CFTC Regulation 1.25(d)(2) and (7) to effectively permit FCMs and DCOs to purchase and sell specified foreign sovereign debt instruments pursuant to repurchase and reverse repurchase agreements;
- Revising the concentration limits for permitted investments in CFTC Regulation 1.25(b)(3);
- Updating the required contents of the Segregated Investment Detail Report (“SIDR”). The amendments to the SIDR are effective March 31, 2025;
- Updating template acknowledgement letters to eliminate the CFTC read-only access provisions and revised scope of permitted MMFs. Updated acknowledgement letters will not be required for existing accounts at depositories. Instead, revised acknowledgement letters must be obtained for new accounts opened after February 21, 2025 (the effective date of the rule amendment) or if the FCM is required to obtain a new acknowledgement letter after February 21, 2025 for reasons unrelated to the elimination of the CFTC read-only access provision; and
- Updating the required contents of the customer risk disclosure statement required under CFTC Regulation 1.55. FCMs are not required to obtain acknowledgement of the revised risk disclosure statement from existing customers due to the technical amendment. FCMs will be required to use the amended risk disclosure statement for any customers onboarded on or after the compliance date of March 31, 2025.

The final rule was published in the Federal Register (January 22, 2025, Vol. 90, No. 13 at page 7810) which can be found on the CFTC’s website at <https://www.cftc.gov/sites/default/files/2025/01/2024-30927a.pdf>.

If you have any questions, please contact your DSRO.