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CASS 12 Commodity Futures Trading Commission Part 30 exemption order

Section : CASS 12.1 Application

- CASS 12.1.1 **R** This chapter applies to a *firm* conducting business pursuant to the *Part 30 exemption order*.
- CASS 12.1.2 **G** United States ('US') legislation restricts the ability of non-US firms to trade on behalf of customers resident in the US ('US customers') on non-US futures and options exchanges. The relevant US regulator (the *CFTC*) operates an exemption system for *firms* authorised under the *Act*. Under the *Part 30 exemption order*, eligible *firms* may apply for confirmation of exemptive relief from Part 30 of the General Regulations under the US Commodity Exchange Act. In line with this system, both the applicant *firm* and the *FCA* must make certain written representations to the *CFTC*.

Section : CASS 12.2 Treatment of client money

- CASS 12.2.1 **G** Under condition 2(g) of the *Part 30 exemption order*, a *firm* with exemptive relief represents to the *CFTC* that it consents to refuse to allow any US customer the option of not having its *money* treated as *client money* if it is held or received in respect of transactions on non-US exchanges, unless that US customer is an "eligible contract participant" as defined in section 1a(18) of the Commodity Exchange Act, 7 U.S.C.
- CASS 12.2.2 **G** The *FCA* understands that in complying with condition 2(g) of the *Part 30 exemption order*, a *firm* is representing that it will not:
- (1) make use of the opt-out arrangements in *CASS 7.10.9G* to *CASS 7.10.13G*; or
 - (2) conduct business to which the *client money rules* do not apply because of the exemption for *CRD credit institutions* and *approved banks* in *CASS 7.10.16R* to *CASS 7.10.24R*; or
 - (3) enter into any *TTCA* under *CASS 7.11*;
- in relation to business conducted pursuant to the *Part 30 exemption order*.
- CASS 12.2.3 **G** **LME bond arrangements**
- For *firms* with exemptive relief under the *Part 30 exemption order*, the *CFTC* has issued certain no-action letters which, on the *FCA's* understanding, would allow such firms to use an *LME bond arrangement* as an alternative to complying with condition 2(g) of the *Part 30 exemption order*. Under an *LME bond arrangement*, a *firm* may arrange for a binding letter of credit to be issued to cover the 'secured amount' (as defined by section 30.7 of the General Regulations under the US Commodity Exchange Act). The letter of credit must be drawn up in a pre-specified format and may be issued for either:
- (1) an omnibus account in favour of a specified trustee; or
 - (2) a specified *client* who is the named beneficiary.
- CASS 12.2.4 **R** A *firm* must not reduce the amount of, or cancel a letter of credit issued under, an *LME bond arrangement* where this will cause the *firm* to be in breach of the conditions of the *Part 30 exemption order*.
- CASS 12.2.5 **R** A *firm* must notify the *FCA* immediately if it arranges the issue of a letter of *credit* for a specified *client* who is the named beneficiary under an *LME bond arrangement*.
- CASS 12.2.6 **G** A *firm's* use of an *LME bond arrangement* does not remove the need for the *firm* to act in accordance with the *client money rules*.