



# RJO' Brien News

## INTRODUCING BROKER NEWSLETTER

Service is our trade ■ Since 1914

### Happy Holidays!

On behalf of everyone at R.J. O'Brien, we wish you and your family a Holiday

Season filled with peace, happiness and joy! As we approach 2014 and RJO's 100<sup>th</sup> Anniversary, we would like to take a minute to thank our cherished clients for your friendship, support and patronage through the years. Without you we would not be where we are today!

Though we are thankful for our storied history, we need to be cognizant of the coming regulatory changes that will permanently alter the way the industry operates. Therefore, we are focusing this newsletter on communicating with you some of the new regulatory requirements that we all are facing this coming year. We feel confident that RJO and our IBs will rise to the occasion and continue to adapt and adjust to meet these new requirements, which will hopefully safeguard our business for another 100 years.

Many Blessings,  
**Katie Hanley**  
 Executive Director, IB Division

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### Help Us Celebrate 100 Years!

18th Annual Introducing Broker Conference - March 21-22, 2014 in Chicago, IL

If you haven't heard, RJO will be celebrating it's 100th anniversary with a special "Exchange of Ideas" Introducing Broker's Conference on March 21-22, 2014 at the InterContinental Chicago Magnificent Mile Hotel. Not only will we be offering our traditional informative speaker lineup, we will also be honoring our century-old heritage of serving the futures industry.

Founded in 1914 as a cash egg and butter house, RJO joined the Chicago Mercantile Exchange as a member when it opened for business in 1919. After a century, R.J. O'Brien is proud to be the only CME founding firm still in existence today.

Be sure to book your airfare and room reservations early for the best discounted prices. Room reservations can be made by calling InterContinental Chicago Hotel at 800-628-2112 and

mentioning you are with RJO. You can also book online at <http://goo.gl/Rrf21s> and enter the Group Code NT8. You will receive reduced rates starting at \$169 per night when you book before March 4, 2014.

Also, please don't forget to **RSVP with RJO** by contacting Katie Rogers at 312-373-5277 or [krogers@rjobrien.com](mailto:krogers@rjobrien.com).

Formal invitations to follow.

## New Margin, Risk, and Disclosure Rules

### CFTC Issues Final "Enhanced Customer Protection" Rules

On October 30, 2013, the CFTC hosted a public meeting where it approved new "Enhanced Customer Protection" rules that significantly impact FCMs, which in turn will significantly impact customers, brokers, and others.

Nearly a year ago, the CFTC proposed a myriad of new regulations that would subject FCMs to extensive new capital, risk management, and disclosure requirements. The effective dates for the new regulations vary, with extended compliance dates for some of the more significant new requirements.

The final rule spans more than 600 pages and RJO has spent a considerable amount of time and resources studying the rule's impact. Now that this rule analysis has been completed, various educational outreach initiatives, such as "town hall" meetings will be held to explain the significance of the new rules to all impacted parties.

Below is a brief summary of some of the most important aspects of the new rules. Please note that not all of the new requirements are discussed below.

#### RESIDUAL INTEREST

The most controversial of the CFTC's initial proposals is the residual interest rule that requires FCMs to maintain enough residual interest (i.e. their own capital) in their segregated accounts to cover each customer's margin deficits "at all times". Clearly this will be debilitating to all FCMs, but particularly those such as RJO that serve a client base that does not always have the ability to wire margin funds instantaneously. As many argued, including RJO and a wide coalition of agricultural and commercial hedgers, the proposal would force FCMs into requiring that all customers prefund their margin requirements and would result in severe capital and liquidity strains on both FCMs and their customers.

As finalized and effective one year after publication in the Federal Register, the residual interest rule will initially require FCMs to use their own funds to cover any individual customer margin deficits outstanding as of 6:00PM ET the business day following the trade date.

#### UNDERMARGINED CAPITAL CHARGE

The CFTC adopted its proposal to amend Rule 1.17(c)(5)(viii) to require an FCM to take a capital charge with respect to any unmet customer maintenance margin requirement that is outstanding more than one business day. Currently, FCMs are required a capital charge for margin that is outstanding more than 3 days. The shortened timeframe for taking capital charges will commence sometime in November 2014. Together with the new residual interest rule, this revised requirement will place greater pressure on FCMs to collect margin from customers in an expedited manner beginning late next year.

#### RISK MANAGEMENT PROGRAM

All FCMs are required to adopt a risk management program approved by the FCM's governing body designed to monitor and manage the risks associated with the firm's activities. As part of this requirement, FCMs must establish a risk management unit that reports to senior management that is separate from a firm's business unit. This risk management unit must have appropriate authority, qualified personnel and other resources. RJO will soon be putting together an appropriate working group to document its risk management program prior to the compliance date in July 2014.

#### NEW FCM DISCLOSURE REQUIREMENTS

The CFTC adopted new rules mandating certain new general and specific disclosures to all existing and prospective clients regarding the overall risks of participating in the futures and swaps markets, as well as the risks of dealing with a specific FCM. Among the specific information that a FCM must now disclose includes:

- the name, title, business address, business background, areas of responsibility and the nature of duties of each of its principals;
- its significant types of business activities and product lines, and the approximate percentage of the FCM's assets and capital used to

support each type of activity;

- a description of its business on behalf of customers, including its policies and procedures related to its choice of bank depositories, custodians and counterparties in connection with its handling of customer funds; and
- the material risks of giving customer funds to the FCM, including a discussion of the FCM's creditworthiness, leverage, capital, liquidity, principal liabilities, and risks created by its affiliates and their activities.

RJO will be forming a working group to draft and ultimately disseminate the requisite disclosure document prior to the July 2014 compliance date.

#### OTHER REQUIREMENTS

Some of the additional provisions under the new rules require FCMs:

- to make parallel the customer funds' protections afforded customers who trade domestic futures and options and non-US traded futures and options;
- to be able to certify, on demand, to the CFTC that it has enough liquidity to remain an ongoing concern. It will need to have verifiable evidence of its liquidity;
- to include a calculation of leverage in its monthly calculation of adjusted net capital; and
- to use a standard template letter with depositories who hold customer funds. Among other things, this template letter requires the depositories to agree to provide the CFTC with direct, read-only electronic access to certain information regarding the FCM's customer funds' accounts.

Over the next year, RJO will be working to implement these new rules, which may have an effect on many of our current operating policies and procedures.

Interested in reading the final rule release? You can obtain a copy of it by clicking [HERE](#) or by visiting the CFTC website at [cftc.gov](http://cftc.gov).

## CME Group Clearing Fee Increase

Effective January 1, 2014

On November 12, 2013, CME Group announced a number of revisions to its fee policies and liquidity incentive programs which will



become effective **January 1, 2014**. The following provides a brief overview of Non-Member and Incentive Program fee modifications for CME, CBOT and NYMEX (a full summary of fee changes can be found by clicking [HERE](#) or by visiting the CME Group website at [cmegroup.com](http://cmegroup.com)):

### ALL CME PRODUCTS

- CME Future from Exercise or Assignment will now incur a 5¢ E/A Surcharge

### INTEREST RATE PRODUCTS

- CBOT Electronic US Treasury Futures will increase 4¢ per side
- CBOT Open Out-cry US Treasury Options will increase 4¢ per side

### EQUITY PRODUCTS

- CBOT \$25 Dow Futures will increase 5¢ per side

### EQUITY PRODUCTS

- CME Equity Standard Futures will increase 5¢ per side
- CME Equity Standard Options will increase 1¢ per side
- CME E-mini Equity Futures will increase 1¢ per side

### AGRICULTURAL PRODUCTS

- CME Agricultural Futures & Options will increase 5¢ per side
- CBOT Electronic Agricultural Futures & Options will increase 14¢ per side

- CBOT Open Out-cry Agricultural Futures & Options will increase 5¢ per side

### ENERGY PRODUCTS

- NYMEX Energy Give ups will now incur a 5¢ fee
- NYMEX Energy Position Transfer/Adjustments will now incur a 10¢ fee

### METALS PRODUCTS

- COMEX Metal Give ups will now incur a 5¢ fee
- COMEX Metal Position Transfer/Adjustments will now incur a 10¢ fee
- COMEX Block Surcharge will increase 15¢

If you have any further questions with regards to these changes please contact the CME Fee Hotline at 312-648-5470 or [efsadmin@cmegroup.com](mailto:efsadmin@cmegroup.com).

## CME Group Market Data Fees

Effective March 1, 2014 and January 1, 2015

CME Group recently released the details of a new policy governing market data fee policies and procedures. Below you will find a high level summary of the new real-time market data fees that will be implemented within the next year. The full CME announcement can be found by clicking [HERE](#) or by visiting the CME Group website at [cmegroup.com](http://cmegroup.com).

1. Beginning March 1, 2014, **CME will eliminate the trading fee waiver for new users** and all new setups of trading software using market data. Therefore, access to real-time quotes on any platform will now incur a fee. This will include Vantage, WebOE, Mobile Trader and all third party platforms. For current subscribers prior to March 1, 2014, the fee will be effective January 2015.
2. **There will be a 'non-pro' and a 'pro' fee schedule** for the consumption of CME market data. Non-pro will be less expensive than the pro fees (\$1 a month for quotes and \$5 a month for market depth, per exchange with a maximum of \$18). This program begins immediately, but under the waiver in item one. RJO customers will not incur fees until either March 1, 2014 or January 1, 2015, depending on effective dates. Full criteria that determines pro and non-pro will be clarified shortly by CME Group.

We'll keep you up to date on new details as they are released. Please feel free to contact RJO Client Services at 866-438-7564 or [clientservices@rjobrien.com](mailto:clientservices@rjobrien.com) with any questions you have.

## Stay Informed!

To help keep you abreast of all regulatory changes and additions, RJO Compliance sends a monthly regulatory bulletin via email. These bulletins come directly from Lisa Baker, Associate Director of Compliance; therefore, be sure to permission [lbaker@rjobrien.com](mailto:lbaker@rjobrien.com) in your email address book so these emails don't get stuck in your spam filter.

Did you miss a bulletin? Not to worry. Attend an interactive Webinar presentation hosted by RJO Compliance on the third Tuesday of every month at 2:30PM (CT). These Webinars are also recorded and can be accessed on demand under *Research* at [rjobrien.com](http://rjobrien.com).

As these new regulations come down the pipeline, please be aware that RJO policies and procedures may be affected as a result. Watch for 'Announcement' and 'Alert' emails from RJO with updates on affected policies.

Questions? As always, RJO's compliance department is at your disposal. Please feel free to contact your compliance representative at 312-373-5937 or

[compliancedept@rjobrien.com](mailto:compliancedept@rjobrien.com)

## General Reminders

### Tax Reporting, Product Webinars, & Regional Meetings



#### **YEAR-END IS COMING! CHECK YOUR CUSTOMER ACCOUNTS!**

As the end of 2013 approaches, we strongly stress the importance of checking your

customer accounts to ensure accuracy for year-end tax reporting. As a regular daily procedure, we highly recommend checking your preliminary and final equity runs for any inaccuracies; however, this practice becomes essential going into year end for 1099 tax purposes. All trading activity generated on December 31, 2013 must be reviewed that day to ensure 1099 tax statements for 2013 are filed accurately. Failure to make corrections on this last trading day will create an incorrect 1099 tax statement that **cannot be altered**.

In order to better assist you and your clients, RJO will again provide support in relation to questions customers may have regarding their 1099 tax statements. RJO's Client Services Department will be able to answer all inquiries received by email at [taxquestions@rjobrien.com](mailto:taxquestions@rjobrien.com) or at their toll-free hotline 1-877-232-9563. Look for a letter containing more information on this service shortly after the first of the year.

#### **PRODUCT PRESENTATIONS**

RJO offers Product Webinar presentations on the first, third, and fourth Thursday of every month at 2:00 PM CT. These presentations are hosted by Client Services and include a conference call and interactive Web Seminar component. The week of a Webinar, an electronic invite will be sent to your email inbox with



participation instructions. For the most up-to-date Webinar schedule, please refer to the Reference Documents section under *Research* at [rjobrien.com](http://rjobrien.com).

For more information on how to login and participate in these informative presentations, please contact the RJO Help Desk at 877-396-9316 or [rjohelp@rjobrien.com](mailto:rjohelp@rjobrien.com).

#### **REGIONAL MEETINGS**

Each year RJO hosts several futures outlook presentations throughout the US featuring RJO's Rich Feltes and CME Group's Economist, Blu Putnam. These hour-long outlooks are immediately followed with dinner. Please be on the lookout for information on meetings in your area. Want us to visit your area? Please email a request to the IB department at [ibmarketing@rjobrien.com](mailto:ibmarketing@rjobrien.com).

### Mark Your Calendar 2014 Exchange Holiday Schedule

Wednesday, January 1st	New Year's Day 2014
Monday, January 20th	Dr. Martin Luther King Jr. Day
Monday, February 17th	President's Day
Friday, March 21st— Saturday, March 22nd	18th Annual "Exchange of Ideas" IB Conference—Chicago, IL
Friday, April 18th	Good Friday
Monday, May 26th	Memorial Day
Friday, July 4th	Independence Day
Monday, September 1st	Labor Day
Monday, October 14th	Columbus Day (Foreign Exchange & Interest Rate Products Only)
Tuesday, November 11th	Veterans Day (Foreign Exchange & Interest Rate Products Only)
Thursday, November 27th	Thanksgiving Day
Thursday, December 25th	Christmas Day

*Seasons Greetings!*

#### **DISCLAIMER**

The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. R.J.O'Brien does not guarantee that such information is accurate or complete and it should not be relied upon as such. Opinions expressed reflect judgments at this date and are subject to change without notice.