

Commodity Futures Trading Commission

§ 1.25

targeted residual interest amount by the close of business on the next business day, or, if appropriate, revise the futures commission merchant's targeted amount of residual interest pursuant to the policies and procedures required by §1.11. Notwithstanding the foregoing, if a the futures commission merchant's residual interest in customer accounts is less than the amount required by §1.22 at any particular point in time, the futures commission merchant must immediately restore the residual interest to exceed the sum of such amounts. Any proprietary funds deposited in the futures accounts must be unencumbered and otherwise compliant with §1.25, as applicable.

[78 FR 68632, Nov. 14, 2013, as amended at 79 FR 44126, July 30, 2014]

§ 1.24 Segregated funds; exclusions therefrom.

Money held in a segregated account by a futures commission merchant shall not include: (a) Money invested in obligations or stocks of any derivatives clearing organization or in memberships in or obligations of any contract market; or

(b) Money held by any derivatives clearing organization which it may use for any purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the contracts, trades, or commodity options of the futures customers of such futures commission merchant.

[77 FR 66322, Nov. 2, 2012]

§ 1.25 Investment of customer funds.

(a) *Permitted investments.* (1) Subject to the terms and conditions set forth in this section, a futures commission merchant or a derivatives clearing organization may invest customer money in the following instruments (permitted investments):

(i) Obligations of the United States and obligations fully guaranteed as to principal and interest by the United States (U.S. government securities);

(ii) General obligations of any State or of any political subdivision thereof (municipal securities);

(iii) Obligations of any United States government corporation or enterprise

sponsored by the United States government (U.S. agency obligations);

(iv) Interests in government money market funds as defined in §270.2a-7 of this title, provided that the government money market funds do 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)(government money market fund);

(v) Interests in exchange-traded funds, as defined in 17 CFR 270.6c-11, which seek to replicate the performance of a published short-term U.S. Treasury security index composed of bonds, notes, and bills with a remaining maturity of 12 months or less, issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the U.S. Department of the Treasury (U.S. Treasury exchange-traded fund); and

(vi) General obligations of Canada, France, Germany, Japan, and the United Kingdom (permitted foreign sovereign debt), subject to the following:

(A) A futures commission merchant may invest in the permitted foreign sovereign debt of a country to the extent the futures commission merchant has balances in segregated accounts owed to its customers denominated in that country's currency; and

(B) A derivatives clearing organization may invest in the permitted foreign sovereign debt of a country to the extent the derivatives clearing organization has balances in segregated accounts owed to its clearing members that are futures commission merchants denominated in that country's currency.

(2)(i) In addition, a futures commission merchant or derivatives clearing organization may buy and sell the permitted investments listed in paragraphs (a)(1)(i) through (vii) of this section pursuant to agreements for resale or repurchase of the instruments, in accordance with the provisions of paragraph (d) of this section.

(ii) A futures commission merchant or a derivatives clearing organization may sell securities deposited by customers as margin pursuant to agreements to repurchase subject to the following: