

12. What methodologies or approaches should FCA consider to more explicitly incorporate a derivatives counterparty exposure charge into the RBCST?

13. What is the best manner of evaluating minimum capital requirements on derivative counterparty exposures in the RBCST and should a pre-processing model be constructed (*i.e.*, a sub-model used to derive inputs into the RBCST) to represent this risk—both in terms of missed individual contractual cash flows as well the replacement cost on defaulted derivatives? If so, how should replacement costs be estimated?

14. Should Farmer Mac be required to include strategies in its marketing plans that address how its secondary market programs and products will be offered to all qualified borrowers, including:

- (a) Minorities, the disabled, and women;
- (b) Young, beginning, small, and family farms and cooperatives; or
- (c) Non-traditional agricultural producers, such as local food systems, organic or specialty crop farmers and the lenders who serve them? Why or why not?

15. Should Farmer Mac's marketing plans set quantitative goals to increase purchases of, or commitments to purchase, loans to young, beginning, small, and family farms, and those

owned or operated by minorities, the disabled, and women? If so, what would be the best method to apply such goals to rural utility cooperatives (*e.g.*, minority-managed cooperatives or cooperatives that serve predominantly minority residential customers or minority-owned commercial customers)?

16. To what extent should FCA regulations require Farmer Mac to develop a human capital plan as part of its strategic and operational business plan to foster diversity in its workforce and succession planning?

Dated: June 10, 2011.

**Mary Alice Donner,**

*Acting Secretary, Farm Credit Administration Board.*

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**BILLING CODE 6705-01-P**

**ACTION:** Notice of proposed rulemaking; Correction.

**SUMMARY:** This document corrects the formatting of text and charts published in the **Federal Register** of June 09, 2011 (76 FR 33818), regarding Protection of Cleared Swaps Customer Contracts and Collateral; Conforming Amendments to the Commodity Broker Bankruptcy Provisions.

**FOR FURTHER INFORMATION CONTACT:**

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**Correction**

In proposed rule document 2011-10737, in the issue of Thursday, June 09, 2011, on page 33864, in the last column, the text which begins “1. Sufficient Funds to Meet Non-XM and XM Customer Claims:” through to the end of the chart on page 33877 should be replaced with the following:

**BILLING CODE-P**

**COMMODITY FUTURES TRADING COMMISSION**

**17 CFR Parts 22 and 190**

**RIN Number 3038-AC99**

**Protection of Cleared Swaps Customer Contracts and Collateral; Conforming Amendments to the Commodity Broker Bankruptcy Provisions; Correction**

**AGENCY:** Commodity Futures Trading Commission.

## 1. Sufficient Funds to Meet Non-XM and XM Customer Claims:

	Non-XM	XM	Total
Funds in 4d(a) segregation	150	150	300
4d(a) Segregation requirement	150	150	300
Shortfall (dollars)	0	0	
Shortfall (percent)	0	0	
Distribution	150	150	300

There are adequate funds available and both the non-XM and the XM customer claims will be paid in full.

## 2. Shortfall in Non-XM Only:

	Non-XM	XM	Total
Funds in 4d(a) segregation	100	150	250
4d(a) Segregation requirement	150	150	300
Shortfall (dollars)	50	0	
Shortfall (percent)	50/150=33.3	0	
<u>Pro rata</u> (percent)	150/300=50	150/300=50	
<u>Pro rata</u> (dollars)	125	125	
Distribution	125	125	250

Due to the non-XM account, there are insufficient funds available to meet both the non-XM and the XM customer claims in full. Each customer will receive his pro rata share of the funds available, or 50% of the \$250 available, or \$125.

## 3. Shortfall in XM Only:

	Non-XM	XM	Total
Funds in 4d(a) segregation	150	100	250
4d(a) Segregation requirement	150	150	300
Shortfall (dollars)	0	50	
Shortfall (percent)	0	50/150=33.3	
<u>Pro rata</u> (percent)	150/300=50	150/300=50	
<u>Pro rata</u> (dollars)	125	125	
Distribution	150	100	250

Due to the XM account, there are insufficient funds available to meet both the non-XM and the XM customer claims in full. Accordingly, the XM funds and non-XM funds are treated as separate pools, and the non-XM customer will be paid in full, receiving \$150 while the XM customer will receive the remaining \$100.

## 4. Shortfall in Both, With XM Shortfall Exceeding Non-XM Shortfall:

	Non-XM	XM	Total
Funds in 4d(a) segregation	125	100	225
4d(a) Segregation requirement	150	150	300
Shortfall (dollars)	25	50	
Shortfall (percent)	25/150=16.7	50/150=33.3	
<u>Pro rata</u> (percent)	150/300=50	150/300=50	
<u>Pro rata</u> (dollars)	112.50	112.50	

	Non-XM	XM	Total
Distribution	125	100	225

There are insufficient funds available to meet both the non-XM and the XM customer claims in full, and the XM shortfall exceeds the non-XM shortfall. The non-XM customer will receive the \$125 available with respect to non-XM claims while the XM customer will receive the \$100 available with respect to XM claims.

**5. Shortfall in Both, With Non-XM Shortfall Exceeding XM Shortfall:**

	Non-XM	XM	Total
Funds in 4d(a) segregation	100	125	225
4d(a) Segregation requirement	150	150	300
Shortfall (dollars)	50	25	
Shortfall (percent)	50/150=33.3	25/150=16.7	
<u>Pro rata</u> (percent)	150/300=50	150/300=50	
<u>Pro rata</u> (dollars)	112.50	112.50	
Distribution	112.50	112.50	225

There are insufficient funds available to meet both the non-XM and the XM customer claims in full, and the non-XM shortfall exceeds the XM shortfall. Each customer will receive 50% of the \$225 available, or \$112.50.

**6. Shortfall in Both, Non-XM Shortfall = XM Shortfall:**

	Non-XM	XM	Total
Funds in 4d(a) segregation	100	100	200
4d(a) Segregation requirement	150	150	300
Shortfall (dollars)	50	50	
Shortfall (percent)	50/150=33.3	50/150=33.3	
<u>Pro rata</u> (percent)	150/300=50	150/300=50	
<u>Pro rata</u> (dollars)	100	100	
Distribution	100	100	200

There are insufficient funds available to meet both the non-XM and the XM customer claims in full, and the non-XM shortfall equals the XM shortfall. Each customer will receive 50% of the \$200 available, or \$100.

These examples illustrate the principle that pro rata distribution across both accounts is the preferable approach except when a shortfall in the XM account could harm non-XM customers. Thus, pro rata distribution occurs in Examples 1, 2, 5 and 6. Separate treatment of the XM and non-XM accounts occurs in Examples 3 and 4.

**Special bankruptcy distributions framework 2**—special allocation of shortfall to customer claims when futures customer funds and cleared swaps customer collateral are held in a depository outside of the United States or in a foreign currency

The Commission has established the following allocation convention with respect to futures customer funds (as §1.3 of this chapter defines such term) and Cleared Swaps Customer Collateral (as §22.1 of this chapter defines such term) segregated pursuant to the Act and Commission rules thereunder held by a futures commission merchant

("FCM") or derivatives clearing organization ("DCO") in a depository outside the United States ("U.S.") or in a foreign currency. The maintenance of futures customer funds or Cleared Swaps Customer Collateral in a depository outside the U.S. or denominated in a foreign currency will result, in certain circumstances, in the reduction of customer claims for such funds. For purposes of this proposed bankruptcy convention, sovereign action of a foreign government or court would include, but not be limited to, the application or enforcement of statutes, rules, regulations, interpretations, advisories, decisions, or orders, formal or informal, by a federal, state, or provincial executive, legislature, judiciary, or government agency. If an FCM enters into bankruptcy and maintains futures customer funds or Cleared Swaps Customer Collateral in a depository located in the U.S. in a currency other than U.S. dollars or in a depository outside the U.S., the following allocation procedures shall be used to calculate the claim of each futures customer or Cleared Swaps Customer (as §22.1 of this chapter defines such term). The allocation procedures should be performed separately with respect to each futures customer or Cleared Swaps Customer.

## **I. Reduction in Claims for General Shortfall**

### ***A. Determination of losses not attributable to sovereign action***

1. Convert the claim of each futures customer or Cleared Swaps Customer in each currency to U.S. Dollars at the exchange rate in effect on the Final Net Equity Determination Date, as defined in §190.01(s) (the "Exchange Rate").
2. Determine the amount of assets available for distribution to futures customers or Cleared Swaps Customers. In making this calculation, include futures customer funds and Cleared Swaps Customer Collateral that would be available for distribution but for the sovereign action.
3. Convert the amount of futures customer funds and Cleared Swaps Customer Collateral available for distribution to U.S. Dollars at the Exchange Rate.
4. Determine the Shortfall Percentage that is not attributable to sovereign action, as follows:

$$\text{Shortfall Percentage} = \left( 1 - \left[ \frac{\text{Total Customer Assets}}{\text{Total Customer Claims}} \right] \right)$$

### ***B. Allocation of Losses Not Attributable to Sovereign Action***

1. Reduce the claim of each futures customer or Cleared Swaps Customer by the Shortfall Percentage.

## **II. Reduction in Claims for Sovereign Loss**

### ***A. Determination of Losses Attributable to Sovereign Action ("Sovereign Loss")***

1. If any portion of the claim of a futures customer or Cleared Swaps Customer is required to be kept in U.S. dollars in the U.S., that portion of the claim is not exposed to Sovereign Loss.
2. If any portion of the claim of a futures customer or Cleared Swaps Customer is authorized to be kept in only one location and that location is:
  - a. The U.S. or a location in which there is no Sovereign Loss, then that portion of the claim is not exposed to Sovereign Loss.
  - b. A location in which there is Sovereign Loss, then that entire portion of the claim is exposed to Sovereign Loss.
3. If any portion of the claim of a futures customer or Cleared Swaps Customer is authorized to be kept in only one currency and that currency is:
  - a. U.S. dollars or a currency in which there is no Sovereign Loss, then that portion of the claim is not exposed to Sovereign Loss.
  - b. A currency in which there is Sovereign Loss, then that entire portion of the claim is exposed to Sovereign Loss.
4. If any portion of the claim of a futures customer or Cleared Swaps Customer is authorized to be kept in more than one location and:
  - a. There is no Sovereign Loss in any of those locations, then that portion of the claim is not exposed to Sovereign Loss.
  - b. There is Sovereign Loss in one of those locations, then that entire portion of the claim is exposed to Sovereign Loss.
  - c. There is Sovereign Loss in more than one of those locations, then an equal share of that portion of the claim will be exposed to Sovereign Loss in each such location.
5. If any portion of the claim of a futures customer or Cleared Swaps Customer is authorized to be kept in more than one currency and:
  - a. There is no Sovereign Loss in any of those currencies, then that portion of the claim is not exposed to Sovereign Loss.
  - b. There is Sovereign Loss in one of those currencies, then that entire portion of the claim is exposed to Sovereign Loss.
  - c. There is Sovereign Loss in more than one of those currencies, then an equal share of that portion of the claim will be exposed to Sovereign Loss.

**B. Calculation of Sovereign Loss**

1. The total Sovereign Loss for each location is the difference between:
  - a. The total futures customer funds or Cleared Swaps Customer Collateral deposited in depositories in that location and
  - b. The amount of futures customer funds or Cleared Swaps Customer Collateral in that location that is available to be distributed to futures customers or Cleared Swaps Customers, after taking into account any sovereign action.

2. The total Sovereign Loss for each currency is the difference between:

a. The value, in U.S. dollars, of the futures customer funds or Cleared Swaps Customer Collateral held in that currency on the day before the sovereign action took place and

b. The value, in U.S. dollars, of the futures customer funds or Cleared Swaps Customer Collateral held in that currency on the Final Net Equity Determination Date.

***C. Allocation of Sovereign Loss***

1. Each portion of the claim of a futures customer or Cleared Swaps Customer exposed to Sovereign Loss in a location will be reduced by:

$$\text{Total Sovereign Loss} \times \frac{\text{Portion of the customer's claim exposed to loss in that location}}{\text{All portions of customer claims exposed to loss in that location}}$$

2. Each portion of the claim of a futures customer or Cleared Swaps Customer exposed to Sovereign Loss in a currency will be reduced by:

$$\text{Total Sovereign Loss} \times \frac{\text{Portion of the customer's claim exposed to loss in that currency}}{\text{All portions of customer claims exposed to loss in that currency}}$$

3. A portion of the claim of a futures customer or Cleared Swaps Customer exposed to Sovereign Loss in a location or currency will not be reduced below zero. (The above calculations might yield a result below zero where the FCM kept more futures customer funds or Cleared Swaps Customer Funds in a location or currency than it was authorized to keep.)

4. Any amount of Sovereign Loss from a location or currency in excess of the total amount of futures customer funds or Cleared Swaps Customer Funds authorized to be kept in that location or currency (calculated in accord with section II.1 above) ("Total Excess Sovereign Loss") will be divided among all futures customers or Cleared Swaps Customer who have authorized funds to be kept outside the U.S., or in currencies other than U.S. dollars, with each such futures customer or Cleared Swaps Customer claim reduced by the following amount:

$$\text{Total Excess Sovereign Loss} \times \left[ \frac{\left( \text{This customer's total claim} - \text{The portion of this Customer's claim required to be kept in U.S. dollars, in the U.S.} \right)}{\text{Total customer claims} - \text{Total of all customer claims required to be kept in U.S. dollars, in the U.S.}} \right]$$

The following examples illustrate the operation of this convention.

*Example 1.* No shortfall in any location.

Customer	Claim	Location(s) customer has consented to having funds held
A	\$50	U.S.
B	€50	U.K.

C	€50	Germany
D	£300	U.K.
<b>Location</b>		<b>Actual asset balance</b>
U.S.	\$50	
U.K.	£300	
U.K.	€50	
Germany	€50	

Note: Conversion Rates: £1 = \$1; £1=\$1.5.

Convert the claim of each futures customer or Cleared Swaps Customer in each currency to U.S. Dollars:

<b>Customer</b>	<b>Claim</b>	<b>Conversion rate</b>	<b>Claim in U.S. dollars</b>
A	\$50	1.0	\$50
B	€50	1.0	50
C	€50	1.0	50
D	£300	1.5	450
Total			\$600.00

Determine assets available for distribution to futures customers or Cleared Swaps Customers, converting to U.S. dollars:

<b>Location</b>	<b>Assets</b>	<b>Conversion rate</b>	<b>Assets in U.S. dollars</b>	<b>Shortfall due to sovereign action percentage</b>	<b>Actual shortfall due to sovereign action</b>	<b>Amount actually available</b>
U.S.	\$50	1.0	\$50			\$50
U.K.	£300	1.5	450			450
U.K.	€50	1.0	50			50
Germany	€50	1.0	50			50
Total			\$600.00		0	\$600.00

There are no shortfalls in funds held in any location. Accordingly, there will be no reduction of futures customer or Cleared Swaps Customer claims.

#### Claims:

<b>Customer</b>	<b>Claim in U.S. dollars after allocated non-sovereign</b>	<b>Allocation of shortfall due to sovereign action</b>	<b>Claim after all reductions</b>

	<b>shortfall</b>		
A	\$50	\$0	\$50
B	50	0	50
C	50	0	50
D	450	0	450
Total	600.00	0.00	600.00

*Example 2.* Shortfall in funds held in the U.S.

<b>Customer</b>	<b>Claim</b>	<b>Location(s) customer has consented to having funds held</b>
A	\$100	U.S.
B	€50	U.K.
C	€100	U.K., Germany, or Japan
<b>Location</b>		<b>Actual asset balance</b>
U.S.	\$50	
U.K.	€100	
Germany	€50	

Note: Conversion Rates: €1=\$1.

### **Reduction in Claims for General Shortfall**

There is a shortfall in the funds held in the U.S. such that only 1/2 of the funds are available. Convert the claim of each futures customer or Cleared Swaps Customer in each currency to U.S. Dollars:

Convert each customer's claim in each currency to U.S. Dollars:

<b>Customer</b>	<b>Claim</b>	<b>Conversion rate</b>	<b>Claim in US\$</b>
A	\$100	1.0	\$100
B	€50	1.0	50
C	€100	1.0	100
Total			250.00

Determine assets available for distribution to futures customers or Cleared Swaps Customers, converting to U.S. dollars:

<b>Location</b>	<b>Assets</b>	<b>Conversion rate</b>	<b>Assets in U.S. dollars</b>	<b>Shortfall due to sovereign action</b>	<b>Actual shortfall due to sovereign</b>	<b>Amount actually available</b>

				percentage	action	
U.S.	\$50	1.0	\$50.00			\$50
U.K.	€100	1.0	100			100
Germany	€50	1.0	50			\$50
Total			200.00			200.00

Determine the percentage of shortfall that is not attributable to sovereign action: Shortfall Percentage =  $(1 - (200/250)) = (1 - 80\%) = 20\%$ .

Reduce each futures customer or Cleared Swaps Customer claim by the Shortfall Percentage:

Customer	Claim in US\$	Allocated shortfall (non-sovereign)	Claim in U.S. dollars after allocated shortfall
A	\$100	\$20.00	\$80.00
B	50	10.00	40.00
C	100	20.00	80.00
Total	250.00	50.00	200.00

### Reduction in Claims for Shortfall Due to Sovereign Action

There is no shortfall due to sovereign action. Accordingly, the futures customer or Cleared Swaps Customer claims will not be further reduced.

### Claims After Reductions

Customer	Claim in U.S. dollars after allocated non-sovereign shortfall	Allocation of shortfall due to sovereign action	Claim after all reductions
A	\$80		\$80.00
B	40		40.00
C	80		80.00
Total	200.00	0	200.00

*Example 3.* Shortfall in funds held outside the U.S., or in a currency other than U.S. dollars, not due to sovereign action.

Customer	Claim	Location(s) customer has consented to having funds held
A	\$150	U.S.

B	€100	U.K.
C	€50	Germany
D	\$100	U.S.
D	€100	U.K. or Germany
<b>Location</b>		<b>Actual asset balance</b>
U.S.	\$250	
U.K.	€50	
Germany	€100	

Note: Conversion Rates: €1=\$1.

### Reduction in Claims for General Shortfall

Convert the claim of each futures customer or Cleared Swaps Customer in each currency to U.S. Dollars:

<b>Customer</b>	<b>Claim</b>	<b>Conversion rate</b>	<b>Claim in US\$</b>
A	\$150	1.0	\$150
B	€100	1.0	100
C	€50	1.0	50
D	\$100	1.0	100
D	€100	1.0	100
Total			500.00

Determine assets available for distribution to futures customers or Cleared Swaps Customers, converting to U.S. dollars:

<b>Location</b>	<b>Assets</b>	<b>Conversion rate</b>	<b>Assets in U.S. dollars</b>	<b>Shortfall due to sovereign action percentage</b>	<b>Actual shortfall due to sovereign action</b>	<b>Amount actually available</b>
U.S.	\$250	1.0	\$250			\$250
U.K.	€50	1.0	50			50
Germany	€100	1.0	100			100
Total			400.00		0	400.00

Determine the percentage of shortfall that is not attributable to sovereign action: Shortfall Percentage =  $(1-400/500) = (1-80\%) = 20\%$ .

Reduce each futures customer or Cleared Swaps Customer by the shortfall percentage:

Customer	Claim in US\$	Allocated shortfall (non-sovereign)	Claim in U.S. dollars after allocated shortfall
A	\$150	\$30.00	120.00
B	100	20.00	80.00
C	50	10.00	40.00
D	200	40.00	160.00
Total	500.00	100.00	400.00

### Reduction in Claims for Shortfall Due to Sovereign Action

There is no shortfall due to sovereign action. Accordingly, the claims will not be further reduced.

### Claims After Reductions

Customer	Claim in U.S. dollars after allocated non-sovereign shortfall	Allocation of shortfall due to sovereign action	Claim after all reductions
A	\$120.00		\$120
B	80.00		80
C	40.00		40
D	160.00	0	160
Total	400.00	0	400

*Example 4.* Shortfall in funds held outside the U.S., or in a currency other than U.S. dollars, due to sovereign action.

Customer	Claim	Location(s) where customer has consented to have funds held
A	\$50	U.S.
B	€50	U.K.
C	€50	Germany
D	\$100.	U.S.
D	€100	U.K. or Germany
Location		Actual asset balance
U.S.		\$150
U.K.		100

Germany	100
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Notice: Conversion Rates: €1 = \$1; ¥1 = \$0.01, £1 = \$1.5.

### Reduction in Claims for General Shortfall

Convert each futures customer or Cleared Swaps Customer claim in each currency to U.S. Dollars:

Customer	Claim	Conversion rate	Claim in US\$
A	\$50	1.0	\$50
B	€50	1.0	50
C	€50	1.0	50
D	\$100	1.0	100
D	€100	1.0	100
Total			350.00

Determine assets available for distribution to futures customers or Cleared Swaps Customers, converting to U.S. dollars:

Location	Assets	Conversion rate	Assets in U.S. dollars	Shortfall due to sovereign action percentage	Actual shortfall due to sovereign action	Amount actually available
U.S.	\$150	1.0	\$150			\$150
U.K.	€100	1.0	100			100
Germany	€100	1.0	100	50%	50	50
Total			350.00		50.00	300.00

Determine the percentage of shortfall that is not attributable to sovereign action: Shortfall Percentage =  $(1 - 350/350) = (1 - 100\%) = 0\%$ .

Reduce each futures customer or Cleared Swaps Customer claim by the shortfall percentage:

Customer	Claim in US\$	Allocated shortfall (non-sovereign)	Claim in U.S. dollars after allocated shortfall
A	\$50	0	\$50.00
B	50	0	50.00
C	50	0	50.00
D	200	0	200.00

Total	350.00	0.00	350.00
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### Reduction in Claims for Shortfall Due to Sovereign Action

Due to sovereign action, only 1/2 of the funds in Germany are available.

Customer	Presumed location of funds		
	U.S.	U.K.	Germany
A	\$50		
B		\$50	
C			\$50
D	100		100
Total	150.00	50.00	150.00

Calculation of the allocation of the shortfall due to sovereign action—Germany (\$50 shortfall to be allocated):

Customer	Allocation share	Allocation share of actual shortfall	Actual shortfall allocated
C	\$50/\$150	33.3% of \$50	\$16.67
D	\$100/\$150	66.7% of \$50	33.33
Total			50.00

### Claims After Reductions:

Customer	Claim in U.S. dollars after allocated non-sovereign shortfall	Allocation of shortfall due to sovereign action from Germany	Claim after all reductions
A	\$50		\$50
B	50		50
C	50	\$16.67	33.33
D	200	33.33	166.67
Total	350.00	50.00	300.00

*Example 5.* Shortfall in funds held outside the U.S., or in a currency other than U.S. dollars, due to sovereign action and a shortfall in funds held in the U.S.

Customer	Claim	Location(s) customer has consented to having funds held
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A	\$100	U.S.
B	€50	U.K.
C	€150	Germany
D	\$100	U.S.
D	£300	U.K.
D	€150	U.K. or Germany
<b>Location</b>		<b>Actual asset balance</b>
U.S.		\$100
U.K.		£300
U.K.		€200
Germany		€150

Conversion Rates: €1=\$1; £1=\$1.5.

### Reduction in Claims for General Shortfall

Convert each futures customer or Cleared Swaps Customer claim in each currency to U.S. Dollars:

<b>Customer</b>	<b>Claim</b>	<b>Conversion rate</b>	<b>Claim in US\$</b>
A	\$100	1.0	\$100
B	€50	1.0	50
C	€150	1.0	150
D	\$100	1.0	100
D	£300	1.5	450
D	€150	1.0	150
Total			1000.00

Determine assets available for distribution to futures customers or Cleared Swaps Customers, converting to U.S. dollars:

<b>Location</b>	<b>Assets</b>	<b>Conversion rate</b>	<b>Assets in U.S. dollars</b>	<b>Shortfall due to sovereign action percentage</b>	<b>Actual shortfall due to sovereign action</b>	<b>Amount actually available</b>
U.S.	\$100	1.0	\$100			\$100
U.K.	£300	1.5	450			450

U.K.	€200	1.0	200			200
Germany	€150	1.0	150	100%	\$150	0
Total			900.00		150.00	750.00

Determine the percentage of shortfall that is not attributable to sovereign action:

Shortfall Percentage =  $(1 - 900 / 1000) = (1 - 90\%) = 10\%$ . Reduce each futures

customer or Cleared Swaps Customer claim by the shortfall percentage:

Customer	Claim in US\$	Allocated shortfall (non-sovereign)	Claim in U.S. dollars after allocated shortfall
A	\$100	\$10.00	\$90.00
B	50	5.00	45.00
C	150	15.00	135.00
D	700	70.00	63.00
Total	1000.00	100.00	900.00

#### Reduction in Claims for Shortfall Due to Sovereign Action

Due to sovereign action, none of the money in Germany is available.

Customer	Presumed location of funds		
	U.S.	U.K.	Germany
A	\$100		
B		\$50	
C			\$150
D	100	450	150
Total	200.00	500.00	300.00

Calculation of the allocation of the shortfall due to sovereign action Germany (\$150 shortfall to be allocated):

Customer	Allocation share	Allocation Share of actual shortfall	Actual shortfall allocated
C	\$150/\$300	50% of \$150	\$75
D	150/\$300	50% of \$150	75
Total			150.00

### Claims After Reductions

Customer	Claim in U.S. dollars after allocated non-sovereign shortfall	Allocation of shortfall due to sovereign action from Germany	Claim after all reductions
A	\$90		\$90
B	45		45
C	135	\$75	60
D	630	75	555
Total	900.00	150.00	750.00

*Example 6.* Shortfall in funds held outside the U.S., or in a currency other than U.S. dollars, due to sovereign action, shortfall in funds held outside the U.S., or in a currency other than U.S. dollars, not due to sovereign action, and a shortfall in funds held in the U.S.

Customer	Claim	Location(s) customer has consented to having funds held
A	\$50	U.S.
B	€50	U.K.
C	\$20	U.S.
C	€50	Germany
D	\$100	U.S.
D	£300	U.K.
D	€100	U.K., Germany, or Japan
E	\$80	U.S.
E	¥10,000	Japan
Location	Actual asset balance	
U.S.	\$200	
U.K.	£200	
U.K.	€100	
Germany	€50	
Japan	¥10,000	

Conversion Rates: £1 = \$1; ¥1=\$0.01, £1=\$1.5.

### Reduction in Claims for General Shortfall

Convert each futures customer or Cleared Swaps Customer claim in each currency to U.S. Dollars:

Customer	Claim	Conversion rate	Claim in US\$
A	\$50	1.0	\$50
B	€50	1.0	50
C	\$20	1.0	20
C	€50	1.0	50
D	\$100	1.0	100
D	€300	1.5	450
D	£100	1.0	100
E	\$80	1.0	80
E	¥10,000	0.01	100
Total			1000.00

Determine assets available for distribution to futures customers or Cleared Swaps Customers, converting to U.S. dollars:

Location	Assets	Conversion rate	Assets in U.S. dollars	Shortfall due to sovereign action percentage	Actual shortfall due to sovereign action	Amount actually available
U.S.	\$200	1.0	\$200			\$200
U.K.	£200	1.5	300			300
U.K.	€100	1.0	100			100
Germany	€50	1.0	50	100%	\$50	0
Japan	¥10,000	0.01	100	50%	50	50
Total			750		100.00	650.00

Determine the percentage of shortfall that is not attributable to sovereign action:

Shortfall Percentage =  $(1 - 750/1000) = (1 - 75\%) = 25\%$ .

Reduce each futures customer or Cleared Swaps Customer claim by the shortfall percentage:

Customer	Claim in U.S.\$	Allocated shortfall (non-sovereign)	Claim in U.S. dollars after allocated shortfall
A	\$50	\$12.50	\$37.50

B	50	12.50	37.50
C	70	17.50	52.50
D	650	162.50	487.50
E	180	45.00	135.00
Total	1000.00	250.00	750.00

### Reduction in Claims for Shortfall Due to Sovereign Action

Due to sovereign action, none of the money in Germany and only 1/2 of the funds in Japan are available.

Customer	Presumed location of funds			
	U.S.	U.K.	Germany	Japan
A	\$50			
B		\$50		
C	20		\$50	
D	100	450	50	\$50
E	80			100
Total	250.00	500.00	100.00	150.00

Calculation of the allocation of the shortfall due to sovereign action—Germany (\$50 shortfall to be allocated):

Customer allocation	Allocation share	Allocation share of actual shortfall	Actual shortfall allocated
C	\$50/\$100	50% of \$50	\$25
D	50/100	50% of 50	25
Total			50

Japan (\$50 shortfall to be allocated):

Customer	Allocation share	Allocation share of actual shortfall	Actual shortfall allocated
D	\$50/\$150	33.3% of \$50	\$16.67
E	100/150	66.6% of 50	33.33
Total			50.00

### Claims After Reductions

Customer	Claim in US dollars after allocated non-sovereign shortfall	Allocation of shortfall due to sovereign action from Germany	Allocation of shortfall due to sovereign action from Japan	Claim after all reductions
A	\$37.50			37.50
B	37.50			37.50
C	52.50	\$25		27.50
D	487.50	25	16.67	445.83
E	135.00		33.33	101.67
Total	750.00	50.00	50.00	650.00

*Example 7.* Shortfall in funds held outside the U.S., or in a currency other than U.S. dollars, due to sovereign action, where the FCM kept more funds than permitted in such location or currency.

Customer	Claim	Location(s) customer has consented to having funds held
A	\$50	U.S.
B	50	U.S.
B	€50	U.K.
C	€50	Germany.
D	100.	U.S.
D	€100	U.K. or Germany.
E	50	U.S.
E	€50	U.K.
Location	Actual asset balance	
U.S.	\$250	
U.K.	€50	
Germany	€200	

Conversion Rates: 1 = \$1.

#### Reduction in Claims for General Shortfall

Convert each futures customer or Cleared Swaps Customer claim in each currency to U.S. Dollars:

Customer	Claim	Conversion rate	Claim in US\$
A	\$50	1.0	\$50

B	50	1.0	50
B	€50	1.0	50
C	€50	1.0	50
D	€100.	1.0	100
D	€100	1.0	100
E	50	1.0	50
E	€50	1.0	50
Total			500.00

Determine assets available for distribution to futures customers or Cleared Swaps Customers, converting to U.S. dollars:

Location	Assets	Conversion rate	Assets in U.S. dollars	Shortfall due to sovereign action percentage	Actual shortfall due to sovereign action	Amount actually available
U.S.	\$250	1.0	\$250			\$250
U.K.	€50	1.0	50			50
Germany	€200	1.0	200	100%	200	0
Total			500.00		200	300.00

Determine the percentage of shortfall that is not attributable to sovereign

Shortfall Percentage =  $(1 - 500/500) = (1 - 100\%) = 0\%$ .

Reduce each futures customer or Cleared Swaps Customer claim by the shortfall percentage:

Customer	Claim in US\$	Allocated shortfall (non-sovereign)	Claim in U.S. dollars after allocated shortfall
A	\$50	\$0	\$50.00
B	100	0	100.00
C	50	0	50.00
D	200	0	200.00
E	100	0	100.00
Total	500.00	0.00	500.00

Reduction in Claims for Shortfall Due to Sovereign Action

Due to sovereign action, none of the money in Germany is available.

Customer	Presumed location of funds		
	U.S.	U.K.	Germany
A	\$50		
B	50	50	
C			50
D	100		100
E	50	50	
Total	250.00	100.00	150.00

Calculation of the allocation of the shortfall due to sovereign action—Germany (\$200 shortfall to be allocated):

Customer	Allocation share	Allocation share of actual shortfall	Actual shortfall allocated
C	\$50/\$150	33.3% of \$200	\$66.67
D	\$100/\$150	66.7% of \$200	\$133.33
Total			\$200.000

This would result in the claims of customers C and D being reduced below zero.

Accordingly, the claims of customer C and D will only be reduced to zero, or \$50 for C and \$100 for D. This results in a Total Excess Shortfall of \$50.

Actual shortfall	Allocation of shortfall for customer C	Allocation of shortfall for customer D	Total excess shortfall
\$200	\$50	\$100	\$50

This shortfall will be divided among the remaining futures customers or Cleared Swaps Customers who have authorized funds to be held outside the U.S. or in a currency other than U.S. dollars.

Customer	Total claims of customers permitting funds to be held outside the U.S.	Portion of claim required to be in the U.S.	Allocation share (column B-C/column B Total—all customer claims in U.S.)	Allocation share of actual total excess shortfall	Actual total excess shortfall allocated
B	\$100	\$50	\$50/\$200	25% of \$50	\$12.50
C	50	0	(1)		0
D	200	100	\$100/200	50% of \$50	25

E	100	50	50/100	25% of \$50	12.50
Total	450.00				50.00

<sup>1</sup>Claim already reduced to \$0.

## Claims After Reductions

Customer	Claim in U.S. dollars after allocated non-sovereign shortfall	Allocation of shortfall due to sovereign action Germany	Allocation of total excess shortfall	Claim after all reductions
A	\$50			\$50.00
B	100		12.50	87.50
C	50	50		0
D	200	100	25	75.00
E	100		12.50	87.50
Total	500.00	150.00	50.00	300.00

Issued in Washington, DC, on June 10, 2011 by the Commission.

**David A. Stawick,**  
*Secretary of the Commission.*

[FR Doc. 2011-14907 Filed 6-15-11; 8:45 am]

**BILLING CODE-C**

## DEPARTMENT OF VETERANS AFFAIRS

### 38 CFR Part 17

#### RIN 2900-AN51

#### Service Dogs

**AGENCY:** Department of Veterans Affairs.

**ACTION:** Proposed rule.

**SUMMARY:** The Department of Veterans Affairs (VA) proposes to amend its regulations concerning veterans in need of service dogs. Under current regulations, VA provides benefits to veterans with guide dogs, and this rulemaking would broaden and clarify those benefits. This rulemaking would also implement new benefits related to service dogs.

**DATES:** Comments must be received by VA on or before August 15, 2011.

**ADDRESSES:** Written comments may be submitted through <http://www.regulations.gov>; by mail or hand-delivery to the Director, Regulations Management (02REG), Department of Veterans Affairs, 810 Vermont Ave., NW., Room 1068, Washington, DC

20420; or by fax to (202) 273-9026. Comments should indicate that they are submitted in response to “RIN 2900-AN51—Service Dogs.” Copies of comments received will be available for public inspection in the Office of Regulation Policy and Management, Room 1063B, between the hours of 8 a.m. and 4:30 p.m., Monday through Friday (except holidays). Please call (202) 461-4902 for an appointment. (This is not a toll-free number.) In addition, during the comment period, comments may be viewed online through the Federal Docket Management System (FDMS) at <http://www.Regulations.gov>.

**FOR FURTHER INFORMATION CONTACT:** Neal Eckrich, Office of Patient Care Services (113), Veterans Health Administration, Department of Veterans Affairs, 810 Vermont Avenue, NW., Washington, DC 20420, (202) 461-1804. (This is not a toll-free number.)

**SUPPLEMENTARY INFORMATION:** Pursuant to 38 U.S.C. 1714(b) and (c), VA may provide to veterans enrolled under 38 U.S.C. 1705 guide dogs trained for the aid of people who are blind and service dogs trained for the aid of the hearing impaired or persons with a spinal cord injury or dysfunction or other chronic impairment that substantially limits mobility. Under section 1714(d), VA is also authorized to provide certain travel expenses related to the provision of such dogs.

In 1961, VA promulgated 38 CFR 17.118(a) (recodified as current 38 CFR 17.154(a) in 1996) restating the statutory language, which at that time limited VA’s authority to the provision of guide dogs for blind veterans. Under both the statutory and regulatory language VA may provide or furnish a guide dog to a veteran but is not required to do so. VA interpreted “provide” in section 1714 and “furnished” in § 17.154(a) to mean that VA need not actually purchase or acquire dogs for eligible veterans if there is an appropriate alternative. (We also note that nothing in 38 U.S.C. 1714 requires VA to provide a dog to a disabled veteran—the statutory authority is that we “may” do so). Accordingly, it has long been VA’s policy to apply current § 17.154(a) by recognizing guide dogs that are obtained by the veteran from private (usually non-profit) organizations dedicated to training guide dogs. In this manner, we can rely on the professional expertise of these organizations without having to house the animals and hire trainers. Currently, VA regulations recognize only guide dogs and not service dogs. To assist the veteran, VA provides financial assistance for veterinary care, and provides hardware required by the dog at no cost to the veteran. The provision of travel benefits is authorized by current § 17.154(a), and the provision of hardware is authorized by current § 17.154(b). This proposed rule would authorize VA to provide benefits for