



U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of Swap Dealer and
Intermediary Oversight

Joshua B. Sterling
Director

Re: No-Action Positions for Floor Brokers to Facilitate Physical Separation of Personnel in Response to the COVID-19 Pandemic

Ladies and Gentlemen:

This letter is in response to a request received by the Division of Swap Dealer and Intermediary Oversight (“**DSIO**”) of the Commodity Futures Trading Commission (“**CFTC**” or “**Commission**”) from multiple market participants regarding regulatory obligations of persons that are registered with the Commission as floor brokers (“**FBS**”). Each FB is referred to herein as a “registrant.”

The World Health Organization declared the coronavirus disease 2019 (“**COVID-19**”) outbreak a global pandemic on March 11, 2020. DSIO understands from registrants and their representatives that the COVID-19 pandemic may present challenges in timely meeting certain of their obligations under the Commodity Exchange Act (“**CEA**”) and Commission regulations. These registrants may have significant operations in affected areas or areas that may become affected by the COVID-19 pandemic. Disruptions in transportation and limited access to facilities and support staff as a result of the COVID-19 pandemic could hamper efforts of registrants to meet their regulatory obligations. In light of these developments, DSIO is issuing this letter to assist affected registrants with satisfying their obligations under the CEA and Commission regulations.

In connection with an industry-wide response to the COVID-19 pandemic, no-action relief has been requested for failure to comply with certain Commission regulations where compliance is anticipated to be particularly challenging or impossible because of displacement of registrant personnel from their normal business sites due to community non-pharmaceutical interventions such as social distancing and closures in response to the COVID-19 pandemic.

I. DSIO No-Action Positions

In order to support an orderly response to the COVID-19 pandemic, DSIO believes that the no-action positions set forth herein are warranted. Registrants relying on the relief

provided by this letter are expected to establish and maintain a supervisory system that is reasonably designed to supervise the activities of personnel while acting from an alternative or remote location during the COVID-19 pandemic.¹ DSIO further expects that as COVID-19-related risks decrease, registrants will return to compliance with all regulatory obligations from which relief has been provided.

Until June 30, 2020, DSIO will not recommend that the Commission take an enforcement action against any FB for the failure to comply with the following Commission regulations, subject to the applicable conditions stated below:

The relief provided for FBs below is expressly conditioned on a FB's compliance with all applicable rules of any designated contract market on which such FB has trading privileges.

- (1) **Recording of Oral Communications.** Any requirement to make and keep records of oral communications pursuant to Commission regulation 1.35 if the personnel required to use recorded lines are required by the written business continuity plan of any designated contract market to be absent from their normal business site, *provided* that: (A) a written record of the oral communication, including date, time, identifying information of the persons participating, and subject matter of the communication, is created and maintained as a written communication in accordance with Commission regulation 1.35; and (B) the registrant takes affirmative steps to collect any written materials pertaining to the content of the oral communication, including, without limitation, handwritten notes or other contemporaneous or subsequently created transcripts or summaries, and maintains them in its required books and records pursuant to Commission regulation 1.31.
- (2) **Time-Stamps.** Any requirement to record the date and time by time-stamp or other timing device pursuant to Commission regulation 1.35 if the personnel responsible for making such record are required by the written business continuity plan of any designated contract market to be absent from their normal business site, *provided* that a record of the date and time, to the nearest minute, is otherwise created and maintained in accordance with Commission regulation 1.35.
- (3) **Location.** Any requirement to be physically located in any pit, ring, post, or other place provided by a contract market pursuant to the definition of "floor

¹ DSIO notes that the National Futures Association ("NFA") has issued a notice to its members ("Members") regarding the applicability of "branch office requirements" to Members responding to the COVID-19 pandemic. Pursuant to the notice, NFA has stated that it will not pursue a disciplinary action against a Member that permits associated persons ("APs") to temporarily work from locations not listed as a branch office and without a branch manager provided that the Member implements and documents alternative supervisory methods to adequately supervise the APs' activities and meet its recordkeeping requirements. See NFA Notice I-20-12 Coronavirus Update—NFA Branch Office Requirements, available at: <https://www.nfa.futures.org/news/newsNotice.asp?ArticleID=5214>.

broker” in Commission regulation 1.3 if the FB is required by the written business continuity plan of any designated contract market to be absent from such place.

- (4) ***Introducing Broker Registration.*** Any requirement to be registered as an IB solely due to a failure of the FB to be physically located in any pit, ring, post, or other place provided by a contract market pursuant to the definition of “floor broker” in Commission regulation 1.3 if the FB is required by the written business continuity plan of any designated contract market to be absent from such place.

II. Conclusion

DSIO recognizes that registrants and other affected market participants may require additional or different relief in their efforts to comply with the requirements of the CEA and Commission regulations. As a result, any registrants that require other relief are encouraged to contact DSIO staff. DSIO staff will address issues on a case-by-case basis in light of the requesting registrant’s particular fact and circumstances.

This letter, and the positions taken herein, represent the views of DSIO only, and do not necessarily represent the position or view of the Commission or of any other office or division of the Commission. The relief issued by this letter does not excuse persons relying on it from compliance with any other applicable requirements contained in the CEA or in Commission regulations. Further, this letter, and the positions taken herein, are based upon the facts and circumstances presented to DSIO. Any different, changed, or omitted material facts or circumstances might render the relief provided by this letter void.

Finally, as with all staff letters, the DSIO retains the authority to condition further, modify, suspend, terminate, or otherwise restrict the terms of relief provided herein, in its discretion.

If you have any questions concerning this correspondence, please contact Frank Fisanich, Chief Counsel, DSIO, at (202) 418-5949 or ffisanich@cftc.gov.

Very truly yours,

Joshua B. Sterling
Director
Division of Swap Dealer and Intermediary Oversight

cc: Regina Thoele, Compliance
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