

Corporate & Financial Weekly Digest

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Federal Reserve Issues Proposed Rule on Retail Foreign Exchange Trading

The Federal Reserve Board on July 28 issued a proposed rule that sets standards for banking organizations regulated by the Federal Reserve that engage in certain types of foreign exchange transactions with retail customers. The proposal, issued pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, outlines requirements for disclosure, recordkeeping, business conduct, and documentation for retail foreign exchange transactions. Institutions engaging in such transactions will be required to identify themselves to their regulator and to be well capitalized. They will also be required to collect margin for retail foreign exchange transactions

The types of transactions covered by the rule include off-exchange futures and options on futures, over-the-counter options on foreign currency, and so-called rolling spot transactions. The proposal does not include regular spot transactions, listed options on foreign currency, and foreign currency forwards and swaps. The proposal would cover entities regulated by the Federal Reserve including state member banks, bank and financial holding companies, Edge Act and agreement corporations, and uninsured state-licensed branches and agencies of foreign banks.

Comments on this notice of proposed rulemaking must be received by October 11, 2011.

Click [here](#) to read the proposed rule.

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