

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

April 8, 2013

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

Federal Reserve Board Finalizes Standards for Fed-regulated Banks Engaged in Certain Types of Foreign Exchange Transactions with Retail Customers

On Thursday, April 4, 2013, the Federal Reserve Board announced the finalization of standards for banking organizations regulated by the Federal Reserve that engage in certain types of foreign exchange transactions with retail customers. The rule becomes effective on May 13, 2013.

The rule, issued pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, establishes requirements for risk disclosures to customers, recordkeeping, business conduct, and documentation for retail foreign exchange transactions. Regulated institutions engaging in such transactions will be required to notify the Federal Reserve 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 foreign exchange transactions that are futures or options on futures, over-the-counter options on foreign currency, and so-called rolling spot transactions. The rule covers entities regulated by the Federal Reserve including state-chartered banks that are members of the Federal Reserve System, bank and savings and loan holding companies, Edge Act and agreement corporations, and uninsured, state-licensed branches and agencies of foreign banks.

The Federal Reserve consulted with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation in developing the rule. The agencies have engaged in separate rulemakings as specified by Dodd-Frank.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

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Attachment: [Retail Foreign Exchange Transactions \(Regulation NN\)](#)