

## Appendix B to Part 190—Special Bankruptcy Distributions

### APPENDIX B TO PART 190—SPECIAL BANKRUPTCY DISTRIBUTIONS

#### FRAMEWORK 1—SPECIAL DISTRIBUTION OF CUSTOMER FUNDS FOR FUTURES CONTRACTS WHEN FCM PARTICIPATED IN CROSS-MARGINING

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#### FRAMEWORK 2 —SPECIAL ALLOCATION OF SHORTFALL ~~To Customer Claims~~ WHEN CUSTOMER FUNDS FOR FUTURES CONTRACTS 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) ~~(, both of which are customer funds (as § 1.3 of this chapter defines such term) that are segregated pursuant to the Act and Commission rules thereunder), which applies in certain circumstances when futures customer funds or Cleared Swaps Customer Collateral are held by a futures commission merchant in a depository outside the United States (“U.S.”) or in a foreign currency. If a futures commission merchant enters into bankruptcy and maintains futures customer funds or Cleared Swaps Customer Collateral in a depository outside the U.S. or in a depository located in the U.S. in a currency other than U.S. dollars, the trustee shall use the following allocation procedures to calculate the claim of each public customer in the futures account class or each public customer in the cleared swaps account class, as applicable, when and a~~ sovereign action of a foreign government or court has occurred that ~~results in losses to the~~ contributes to shortfalls in the amounts of futures customer funds or Cleared Swaps Customer Collateral. ~~Applying the, the trustee shall use the following allocation procedures. This~~ allocation convention will result in ~~reduction of certain customer claims for such a~~ reallocation of distributions of futures customer funds ~~or~~ and Cleared Swaps Collateral to take into account the impact of the sovereign action. For purposes of this 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. The trustee should perform the allocation procedures separately with respect to each public customer in the futures account class or cleared swaps account class.

#### I. REDUCTION IN ~~Claims~~ DISTRIBUTION 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 customer funds for futures

contracts and Cleared Swaps Customer Collateral that would be available for distribution but for the sovereign action.

3. Convert the amount of customer funds for futures contracts 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~~ DISTRIBUTIONS 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 customer funds for futures contracts or Cleared Swaps Customer Collateral deposited in depositories in that location and

b. The amount of customer funds for futures contracts 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 customer funds for futures contracts 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 customer funds for futures contracts or Cleared Swaps Customer Collateral held in that currency on the ~~Final Net Equity Determination Date~~date of the calculation.

#### C. Allocation of Sovereign Loss

1. Each ~~portion-distribution on account~~portion-distribution on account 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-distribution on account~~portion of the claim-distribution on account 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~~ distribution to 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 customer funds for futures contracts 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 customer funds for futures contracts 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~~ allocated among all futures customers or Cleared Swaps Customer ~~who~~ that 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~~ distribution reduced by the following amount:

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

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.
Location		Actual asset balance
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:

Customer	Claim	Conversion rate	Claim in U.S. dollars
A	\$50	1.0	\$50
B	€50	1.0	50
C	€50	1.0	50
D	£300	1.5	450
Total			\$600

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.	\$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		0	\$600

There are no shortfalls in funds held in any location. Accordingly, there will be no reduction [in distributions to holders](#) of futures ~~customer~~ or Cleared Swaps Customer claims.

**Claims:**

Customer	Claim in U.S. dollars after allocated non-sovereign shortfall	Allocation of shortfall due to sovereign action	<del>Claim</del> -Distributions after all reductions
A	\$50	\$0	\$50
B	50	0	50
C	50	0	50
D	450	0	450
Total	\$600	\$0	\$600

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

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

Note: Conversion Rates: €1=\$1.

REDUCTION IN ~~Claims~~-DISTRIBUTIONS 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:

Customer	Claim	Conversion rate	Claim in US\$
A	\$100	1.0	\$100
B	€50	1.0	50
C	€100	1.0	100
Total			\$250

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.	\$50	1.0	\$50			\$50
U.K.	€100	1.0	100			100
Germany	€50	1.0	50			50
Total			\$200			\$200

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

$$\text{Shortfall Percentage} = (1 - (200/250)) = (1 - 80\%) = 20\%.$$

Reduce each [distribution to the holder of a](#) futures ~~customer~~ or Cleared Swaps Customer claim by the Shortfall Percentage:

Customer	Claim in US\$	Allocation shortfall (non-sovereign)	<del>Claim-Distribution</del> in U.S. dollars after allocated shortfall
A	\$100	\$20	\$80
B	50	10	40
C	100	20	80
Total	\$250	\$50	\$200

#### REDUCTION IN ~~Claims for Shortfall-DISTRIBUTIONS~~ DUE TO SOVEREIGN ACTION

There is no shortfall due to sovereign action. Accordingly, ~~the~~ [distributions to holders of](#) futures ~~customer~~ or Cleared Swaps Customer claims will not be further reduced.

#### ~~Claims-DISTRIBUTIONS~~ AFTER REDUCTIONS

Customer	<del>Claim in U.S. dollars after allocated non-Distribution in US\$ before allocation of sovereign shortfall</del>	Allocation of shortfall due to sovereign action	<del>Claim-Distribution</del> after all reductions
A	\$80		\$80
B	40		40
C	80		80
Total	\$200	\$0	\$200

**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
Location		Actual asset balance
U.S.		\$250
U.K.		€50
Germany		€100

Note: Conversion Rates: €1=\$1.

#### REDUCTION IN **Claims** DISTRIBUTIONS FOR GENERAL SHORTFALL

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

Customer	Claim	Conversion rate	Claim in US\$
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

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	€100	1.0	100			100
Total			\$400		\$0	\$400

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

$$\text{Shortfall Percentage} = (1 - 400/500) = (1 - 80\%) = 20\%.$$

Reduce each distribution to the holder of a futures customer or Cleared Swaps Customer by the ~~shortfall percentage~~ Shortfall Percentage:

Customer	Claim in US\$	Allocation shortfall (non-sovereign)	<del>Claim-Distribution</del> in U.S. dollars after allocated shortfall
A	\$150	\$30	\$120
B	100	20	80
C	50	10	40
D	200	40	160
Total	\$500	\$100	\$400

REDUCTION IN ~~Claims for Shortfall~~ DISTRIBUTIONS DUE TO SOVEREIGN ACTION

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

~~Claims~~ DISTRIBUTIONS AFTER REDUCTIONS

Customer	<del>Claim in U.S. dollars after allocated non-Distribution in US\$ before allocation of sovereign shortfall</del>	Allocation of shortfall due to sovereign action	<del>Claim</del> <u>Distribution</u> after all reductions
A	\$120		\$120
B	80		80
C	40		40
D	160	0	160
Total	\$400	\$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) customer has consented to having 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

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



REDUCTION IN ~~Claims~~-DISTRIBUTIONS 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

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		\$50	\$300

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

$$\text{Shortfall Percentage} = (1 - 350/350) = (1 - 100\%) = 0\%.$$

Reduce each [distribution to the holder of a](#) futures customer or Cleared Swaps Customer claim by the ~~shortfall percentage~~ [Shortfall Percentage](#):

Customer	Claim in US\$	Allocation shortfall (non-sovereign)	<del>Claim</del> -Distribution in U.S. dollars after allocated shortfall
A	\$50	\$0	\$50
B	50	0	50
C	50	0	50
D	200	0	200
Total	\$350	\$0	\$350

REDUCTION IN ~~Claims~~-DISTRIBUTIONS 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	\$50	\$150

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~~ DISTRIBUTIONS AFTER REDUCTIONS

Customer	<del>Claim in U.S. dollars after allocated non-Distribution in USS before allocation of sovereign shortfall</del>	Allocation of shortfall due to sovereign action from Germany	<del>Claim Distribution</del> 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
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
Location		Actual asset balance
U.S.		\$100
U.K.		£300
U.K.		€200
Germany		€150

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

REDUCTION IN ~~Claims~~ DISTRIBUTIONS 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	\$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

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.	\$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		\$150	\$750

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

$$\text{Shortfall Percentage} = (1 - 900 / 1000) = (1 - 90\%) = 10\%.$$

Reduce each [each distribution to the holder of a](#) futures customer or Cleared Swaps Customer claim by the ~~shortfall percentage~~ Shortfall Percentage:

Customer	Claim in US\$	Allocation shortfall (non-sovereign)	<del>Claim-Distribution</del> in U.S. dollars after allocated shortfall
A	\$100	\$10	\$90
B	50	5	45
C	150	15	135
D	700	70	63
Total	\$1000	\$100	\$900

REDUCTION IN ~~Claims~~-DISTRIBUTIONS 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	\$500	\$300

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

~~Claims~~-DISTRIBUTIONS AFTER REDUCTIONS

Customer	<del>Claim in U.S. dollars after allocated non-Distribution in US\$ before allocation of sovereign shortfall</del>	Allocation of shortfall due to sovereign action from Germany	<del>Claim Distributions after all reductions</del>
A	\$90		\$90
B	45		45
C	135	\$75	60
D	630	75	555
Total	\$900	\$150	\$750

**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~~ DISTRIBUTIONS 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

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	\$650

Determine the percentage of shortfall that is not attributable to sovereign action:  
 Shortfall Percentage =  $(1 - 750/1000) = (1 - 75\%) = 25\%$ .

Reduce each distribution to the holder of a futures ~~customer~~-or Cleared Swaps Customer claim by the ~~shortfall percentage~~ Shortfall Percentage:

Customer	Claim in US\$	Allocation shortfall (non-sovereign)	<del>Claim</del> <u>Distributions</u> 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~~ DISTRIBUTIONS 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	\$500	\$100	\$150

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	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~~ DISTRIBUTIONS AFTER REDUCTIONS

Customer	<del>Claim in US dollars</del> <del>after allocated non-</del> <u>Distribution in USS</u> <u>before allocation of</u> <u>sovereign shortfall</u>	Allocation of shortfall due to sovereign action from Germany	Allocation of shortfall due to sovereign action from Japan	<del>Claim</del> <u>Distributi</u> <u>on</u> 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. dollar, 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.
C	€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~~ DISTRIBUTIONS 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		\$200	\$300

Determine the percentage of shortfall that is not attributable to sovereign  
 Shortfall Percentage =  $(1 - 500/500) = (1 - 100\%) = 0\%$ .

Reduce each distribution to the holder of a futures ~~customer~~ or Cleared Swaps Customer claim by the ~~shortfall percentage~~ Shortfall Percentage:

Customer	Claim in US\$	Allocation shortfall (non-sovereign)	<del>Claim-Distribution</del> in U.S. dollars after allocated shortfall
A	\$50	\$0	\$50
B	100	0	100
C	50	0	50
D	200	0	200
E	100	0	100
Total	\$500	\$0	\$500

REDUCTION ~~in Claims for Shortfall Due to~~ IN DISTRIBUTIONS 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	\$100	\$150

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			\$200.00

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

Accordingly, the ~~claims of distributions to~~ customer C and D will only be reduced to zero, or \$50 ~~for allocated to~~ C and \$100 ~~for allocated to~~ 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-allocated~~ 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	<sup>(1)</sup>		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-DISTRIBUTIONS~~ AFTER REDUCTIONS

Customer	<del>Claim in U.S. dollars after allocated non-Distribution in US\$ before allocation of sovereign shortfall</del>	Allocation of shortfall due to sovereign action Germany	Allocation of total excess shortfall	<del>Claim Distribution after all reductions</del>
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