Negative Contract Prices Risk Disclosure Template

* In CFTC Staff Letter 20-17, dated May 13, 2020 (the “Advisory”), the Division of Swap Dealer and Intermediary Oversight of the U.S. Commodity Futures Trading Commission (“CFTC”) advised each Futures Commission Merchant (“FCM”) that it may be prudent to re-familiarize customers with paragraph (b)(1) of the required CFTC Regulation 1.55 risk disclosure (especially the warning that customers may incur losses beyond amounts deposited with the FCM and that this may occur in the event of negative contract prices) and suggested it may also be prudent to ensure that customers understand the mechanics of contract settlement at negative prices. This disclosure template is intended to assist FCMs that wish to deliver additional disclosures to existing customers in furtherance of DSIO’s statements in the Advisory and/or supplement the disclosures they already provide to new customers. FCMs may use or modify this disclosure template in their discretion. This disclosure is not intended, nor should it be interpreted, to constitute legal or regulatory advice. FIA specifically disclaims any legal responsibility for any errors or omissions and disclaims any liability for any losses or damages incurred through use of this disclosure template. FIA undertakes no obligations to update this disclosure template following the date of publication.

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NEGATIVE CONTRACT PRICES RISK DISCLOSURE TEMPLATE

When trading in the futures markets, we wish to remind you of the risks if the market moves against your futures positions. These risks may be particularly acute in those instances in which a futures contract settles at a negative price. The circumstances that lead a futures contract to settle at a negative price may vary. One example of when a futures contract with a physical commodity as the underlying asset may settle at a negative price is when the supply of the commodity faces physical constraints in distribution or storage to such an extent that some suppliers are prepared to pay others to physically take away the commodity. Futures contracts across other asset classes may also settle at negative prices for any number of reasons. Regardless of whether prices are positive or negative, you should keep in mind that if the market moves against your futures positions:

• You may sustain a total loss of the funds that you have deposited to establish or maintain your positions and may incur additional losses beyond these amounts;

• You may be called upon to deposit additional margin funds, on short notice;

• If you do not provide the additional funds within the time we require, your positions may be liquidated at a loss; and

• You will be liable for any resulting deficit in your account.

You should contact your FCM if you have questions or want additional information.

1 [Consider substituting “there are” for “we wish to remind you of the” when delivering this disclosure to new customers.]