With the recent economic uncertainty in our country the question has been brought to our attention several times; how financially sound is our clearing firm, ADMIS and is my money safe in a futures/options trading account? We appreciate those questions and understand our clients concerns.

Funds in a futures/options trading account are not part of the clearing firm's assets (ADMIS) but are in a segregated account per CFTC regulations (Commodity Futures Trading Commission). The segregated account structure of futures trading accounts protects customers from incurring losses should their brokerage firm or their clearing firm go bankrupt.

This segregated structure means that all customer funds shall be separately accounted for and segregated as belonging to the customers. Such customer funds, when deposited with any bank, trust company, clearing organization or futures brokerage firm must be deposited under an account name that clearly identifies them as customer segregated. These customer funds are not subject to any offset, indebtedness, obligation, or liabilities of any entity besides the customers themselves. These regulations are in place so that the clearing firm cannot dip into the customer funds to offset losses elsewhere. The futures industry is a model of transparency, as well, with clearing firms required to compute a daily segregation statement, as of the close of business day, prior to noon on the next business day. The daily segregation statement, in short, reflects:

1. The total amount of funds the customer has on deposit with the clearing firm. These funds are reflected as a payable to customers and are a liability on the clearing firm's books.
2. The total amount of segregated funds the clearing firm has on deposit with banks, trust companies, clearing organizations or futures brokerage firms. These customer funds are reflected as a receivable from such depositories and are assets on the clearing firm's books.
3. The amount of excess segregated funds (total segregated assets minus total segregated liabilities).

Clearing firms must compute excess segregated funds daily; in the unlikely event a deficiency occurs such clearing firm must immediately report the deficiency to the futures industry regulators, wire their own funds into segregation in order to offset such deficiency and be subject to additional regulatory requirements and enhanced oversight by Exchange and Government regulators.

What does that mean? It means that if ADMIS or any other clearing firm's assets were seized due to financial instability, the customer segregated funds, could not be seized by the FCM or its creditors to satisfy debt obligations. The industry standard is for the regulators to ensure all customer funds are transferred from such FCM to a solvent FCM with sufficient capital to handle the additional business.

Another aspect of the question would be; "what if the bank holding my money in a segregated account becomes insolvent?" Our understanding is that the segregated account structure carries all the way through to the bank it is held in. If the bank holding your segregated account funds (which is currently Harris Bank of Chicago, Illinois) were to fail, your funds would be FDIC insured up to $100,000. If congress passes a bailout package in its current form, FDIC insurance levels will be raised to $250,000. Customers who would carry balances of more than $100,000 would be covered if those extra funds were invested in T-Bills.