






Common Deficiencies Noted During NFA Examinations of CPOs, CTAs, FDMs, FCMs, IBs, and SDs*							
Common Deficiency	✓ Means That NFA Identified the Deficiency as Applicable to Type of NFA Member						Additional Information
	CPOs	CTAs	FDMs	FCMs	IBs	SDs	
Anti-Money Laundering				✓	✓		Additional information about each deficiency is summarized on the pages that follow.
Business Conduct Standards						✓	
Calculation of Financial Ratios	✓	✓					
Cybersecurity	✓	✓	✓	✓	✓	✓	
Notifications	✓			✓			
Self-Examination Questionnaire	✓	✓	✓	✓	✓		
Supervision	✓	✓	✓	✓	✓	✓	
Swap Data Reporting						✓	

\*This information is a summary of the three Notices to Members published by the NFA on February 10, 2020: Notice to Members I-20-05 (Common deficiencies of CPOs and CTAs); Notice to Members I-20-06 (Common deficiencies of SDs); and Notice to Members I-20-07 (Common deficiencies of FCMs, FDMs, and IBs).

Each Notice to Members is available at <https://www.nfa.futures.org/news/newsNoticeList.asp>.




This information is **NOT** a comprehensive overview or summary of the compliance obligations that apply to a CPO, CTA, SD, FCM, FDM or IB.


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Anti-Money Laundering							<p>AML procedures must include procedures for conducting ongoing due diligence and verifying beneficial owners for legal entity customers as outlined in <a href="#">Interpretive Notice 9045</a>.</p> <p>If a member relies on another financial institution (“FI”) to identify and verify beneficial owners for legal entity customers must ensure that their contract with the FI incorporates the requirements that will be performed by the other FI.</p>







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Business Conduct Standards							<p>Every SD member must obtain and retain a record of essential facts to accurately categorize its counterparties to facilitate compliance with various regulatory requirements pursuant to <a href="#">CFTC Regulation 23.402(a)</a>, including transaction-specific requirements.</p> <p>Every SD member must make disclosures to non-SD counterparties, such as those that relate to pre-trade mid-market marks, material risks and characteristics of each swap and daily marks.</p> <p>Every SD member must implement controls to prevent fraud, manipulation, and other abusive practices prohibited by <a href="#">CFTC Regulation 23.410</a>.</p>

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Calculation of Financial Resources	✓	✓					<p>CPO and CTA members must compute financial ratios using the accrual method of accounting and in accordance with U.S. GAAP or another internationally recognized accounting standard as outlined in <a href="#">Interpretive Notice 9071</a>.</p> <p>CPO and CTA members should consult <a href="#">Notice I-18-20</a> for additional guidance on calculating these ratios.</p>







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Cybersecurity	✓	✓	✓	✓	✓	✓	<p>Every member must adopt a written information systems security program (ISSP) to address the risk of unauthorized access to or attack of their information technology systems and to respond appropriately should unauthorized attacks occur.</p> <p>Every member must notify NFA of certain cybersecurity incidents related to their commodity interest business and provide cybersecurity training to employees upon hiring and at least annually thereafter. See <a href="#">Interpretive Notice 9070</a>.</p>


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Notifications							<p><b>For CPOs</b></p> <p><b>Initial FYE Election</b> - Notify pool participants if the CPO elects to use a fiscal year end (FYE) other than 12/31; notify CFTC and NFA of such election via EasyFile within 90 calendar days after the pool's formation (otherwise, the pool is deemed to have elected calendar year end). See <a href="#">CFTC Regulation 4.22(g)</a>.</p> <p><b>Change of FYE</b> - Notify pool participants of any change to a pool's FYE; notify CFTC and NFA of such election via EasyFile at least 90 calendar days before the change. See <a href="#">CFTC Regulation 4.22(g)</a>.</p> <p><b>Change of Auditor</b> - Notify CFTC and NFA via Easy File no more than 15 days after the pool's independent auditor resigns or is</p>



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							<p>dismissed by the CPO. See <a href="#">CFTC Regulation 1.16(g)</a>.</p> <p><b>Extension for Filing of Annual Financial Statement</b> - Notify CFTC and NFA via Easy File of any extension to file an annual pool financial statement prior to the due date of the filing.</p> <p><b>For FCMs</b></p> <p><b>Notice Filings Via WinJammer™</b> - Notify NFA of certain required notice filings, such as notice within 24 hours of becoming the subject pool of a formal investigation by the Securities and Exchange Commission (the "SEC"), a securities self-regulatory organization (an "SRO"), or a futures SRO. Also, provide copy of (a) any examination report issued by the SEC or a securities SRO; and (b)</p>

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							correspondence from the SEC or a securities SRO relating to the adequacy of the FCM’s capital position, liquidity to meet its obligations or ability to operate its business or internal controls.  The NFA publishes a list of FCM filing requirements, including notice filings, that is available <a href="#">here</a> .
Self-Examination Questionnaire							On an annual basis, NFA members must review their operations using the <a href="#">NFA’s Self-Examination Questionnaire</a> , in order to recognize potential problems and make related procedural improvements.



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Supervision							As a reminder, <b>every</b> CPO, CTA, FCM, FDM, IB, and SD must diligently supervise their employees and agents in all aspects of their commodity interest activities (or, in the case of SDs, swap activities). See <a href="#">Compliance Rule 2-9</a> for CPOs, CTAs, FCMs, IBs and SDs and <a href="#">Compliance Rule 2-36</a> for FDMs.  The NFA identified several Member-specific deficiencies.  <b><u>For CPOs</u></b>  <b>Maintain Internal Controls and Written Policies and Procedures</b> - Establish an internal control system and maintain written policies and procedures in accordance with NFA <a href="#">Interpretive Notice 9074</a> , and update those policies and procedures for any changes in processes or personnel.

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							<p><u>For FCMs, FDMs, and IBs</u></p> <p><b>Keep Records of Trade-Related Communications</b> - Maintain a record of all oral and written communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading and prices that lead to the execution of commodity interest transactions and related cash or forward transaction, whether communicated by telephone, voicemail, facsimile, instant messaging, chat rooms, electronic mail, mobile device or other digital or electronic media.</p> <p>As part of this process, consider how a firm’s supervisory policies and procedures address the manner, frequency and results of monitoring written and oral communications. For example,</p>

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							consider the following questions: Who will review these communications? How will the review be documented? How did the Member firm address any identified issues?  <u>For SDs</u>  Notify develop and implement written supervisory procedures designed to achieve ongoing compliance with applicable NFA and CFTC requirements.
Swap Data Reporting							SDs must report swap transaction data to swap data repositories in the manner required by CFTC <a href="#">Regulation 23.204</a> and CFTC <a href="#">Regulation 23.205</a> .  Corrections of identified errors or omissions must be reported as soon as technologically practicable.