



Self-Examination Questionnaire

For FCMs, FDMs, IBs, CPOs and CTAs

May 2013 Revisions: Revised Supplemental Questionnaire for CPOs – Revised questions relating to CPO reporting requirements due to recent amendments to NFA Compliance Rule 2-46.

May 2013

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Introduction

NFA Compliance Rule 2-9 places a continuing responsibility on every Member to diligently supervise its employees and agents in all aspects of their futures-related activities, while NFA Compliance Rule 2-36 (and Compliance Rule 2-39 by reference to Compliance Rule 2-36), imposes the same requirements on Members with respect to their forex-related activities. NFA recognizes that, given the differences in the size and complexity of the operations of NFA Members, there must be some degree of flexibility in determining what constitutes “diligent supervision” for each firm. It is NFA’s policy to leave the exact form of supervision to the Member, thereby providing the Member with flexibility to design procedures that are tailored to the Member’s own situation. However, NFA believes that all Members should regularly review the adequacy of their supervisory procedures.

In order to satisfy their continuing supervisory responsibilities under Compliance Rules 2-9, 2-36 and 2-39 NFA Members must review their operations on a yearly basis using NFA’s Self-Examination Questionnaire, which includes a general questionnaire that must be completed by all Members and five supplemental questionnaires (e.g. FCM, FDM, IB, CPO and CTA) that must be completed as applicable. The questionnaires are designed to aid Members in recognizing potential problem areas and to alert them to procedures that need to be revised or strengthened. The questionnaires focus on the Member’s regulatory responsibilities and solicit information regarding whether the Member’s internal procedures are adequate for meeting these responsibilities.

After reviewing the annual questionnaires, an appropriate supervisory person must sign and date a written attestation stating that they have reviewed the Member’s operations in light of the matters covered by the questionnaire. Although a Member may review more than one supplemental questionnaire, only one attestation is necessary per office. A separate attestation must be made for each branch office and if the branch office reviews its own operations then the main office must receive a copy of the questionnaire’s signed attestation. Guarantor FCMs and FDMs must obtain copies of the questionnaire’s signed attestation from guaranteed IBs, including branch offices of these guaranteed IBs. These attestations **should not** be forwarded to NFA but should be retained by the Member. Signed attestations should be readily available for the most recent two years and retained for the most recent five years. As necessary, NFA updates these questionnaires to reflect new and amended rules. Members should obtain the most recent version of the questionnaires from NFA’s Web site (www.nfa.futures.org). If you have questions, please contact the NFA Compliance Department at (800) 621-3570.

Sample Attestation

(On Member's Letterhead)

Appropriate supervisory personnel for Member's Name have reviewed and evaluated the current procedures of Member's Name (and branch location, if applicable) using the NFA Self-Examination Questionnaire. Based on that review, it appears that Member's Name current procedures are adequate to meet its supervisory responsibilities.

Signed

Date

General Self-Examination Questionnaire for All Members

Registration

- Has the Member listed all of the following individuals as principals on the Member's Form 7-R? (Registration Rules 208 and 101(s)):
 - Individuals who hold the following positions with the Member:
 - Sole proprietor of a sole proprietorship;
 - General partner of a partnership;
 - Director, president, chief executive officer, chief operating officer, chief financial officer or a person in charge of a business unit, division or function subject to regulation by the Commission of a corporation, limited liability company or limited partnership;
 - Manager, managing member or a member vested with the management authority for a limited liability company or limited liability partnership; or
 - A chief compliance officer.
 - Individuals who directly or indirectly, through agreement, holding companies, nominees, trusts or otherwise, have the following financial relationships to the Member:
 - Own 10 percent or more of the outstanding shares of any class of the Member's stock, other than non-voting stock;
 - Are entitled to vote 10 percent or more of any class of the Member's voting securities;
 - Have the power to sell or direct the sale of 10 percent or more of any class of the Member's voting securities;
 - Have contributed 10 percent or more of a Member's capital;
 - Are entitled to receive 10 percent or more of a Member's net profits.
 - Individuals who have the power to exercise a controlling influence over an applicant's or registrant's activities that are subject to regulation by the Commission.
- Has the Member listed all of the following entities as principals on the Member's Form 7-R? (Registration Rules 208 and 101(s)):
 - A general partner of a partnership;
 - The direct owner of 10 percent or more of any class of an entity's securities, other than non-voting stock; or
 - Entities that have directly contributed 10 percent or more of a Member's capital unless such capital contribution consists of subordinated debt contributed by:
 - An unaffiliated bank insured by the Federal Deposit Insurance Corporation;

- A United States branch or agency of an unaffiliated foreign bank that is licensed under the laws of the United States and regulated, supervised and examined by United States government authorities having regulatory responsibility for such financial institutions; or
 - An insurance company subject to regulation by any State.
- Has the Member listed all branch office locations and branch office managers on the Member's Form 7-R? (Interpretive Notice ¶9002)
- Have all branch office managers passed the branch office manager proficiency exam? (NFA Compliance Rule 2-7)
- Do all branch offices hold themselves out in the name of the Member? (CFTC Regulation 166.4)
- Has the Member listed on the Form 7-R or updated on the Form 3-R all "doing business as" names? (Registration Rules 204 and 210)
- Does the Member prohibit individuals who are not registered as APs from soliciting or accepting customer orders (except in a clerical capacity) or from supervising those individuals? (CEA Sec 4k)
- If the Member terminated any principal's, branch office manager's or AP's affiliation with the Member, did the Member file with NFA an Individual Withdrawal Notice (CFTC Form 8-T) within 30 days after the termination? (Registration Rule 214)
- Is the information provided on the Member's Form 7-R still accurate and complete. If there were any changes that rendered the information inaccurate or incomplete, did the Member update and correct the information on NFA's Online Registration System? (Registration Rule 210)
- Has the Member reviewed commission payouts and other disbursements to ensure that only NFA Members are being paid for customer business? (NFA Bylaws 301 and 1101)
- Does the Member review all parties it does business with to ensure those that are required to be registered are registered, and, if required to be an NFA Member, are NFA Members? (NFA Bylaw 1101 and Compliance Rule 2-36(d))
- If the Member or Associate intends to engage in retail forex transactions, has the Member and Associate designated themselves as a forex firm or forex AP on NFA's Online Registration System? (NFA Bylaw 301)

Supervision (Compliance Rule 2-9, 2-36 and Interpretive Notices ¶9019 and 9028)

- Has the Member designated a "compliance officer" who is responsible for handling customer complaints or inquiries of a compliance nature including matters received in branch offices?

- Does the Member have a compliance procedures manual or other written documentation that outlines the Member's policy with respect to handling compliance matters, such as customer complaints or inquiries?
- Does the Member have a systematic method of recording, investigating and responding to customer complaints or inquiries?
- If the Member has any branch offices or GIBs, does it have an Internal Audit Department or other designated individual ("Auditor") who monitors the branch offices and/or GIBs, including annual on-site inspections, using a written audit program?
 - Has the Auditor prepared a written summary of findings noted during an on-site inspection of a branch office or GIB and submitted the report to a partner or officer?
 - If the Auditor noted any problems during an on-site visit or other during other monitoring, has the Member taken appropriate corrective action?
- Does the Member have policies and procedures regarding the hiring and supervision of APs who have been or whose past employers have been disciplined by NFA or the CFTC for fraud?
- If the Member or Associate intends to offer retail forex, does the Member have procedures to screen prospective Associates to ensure that they are qualified and to determine the extent of supervision they will need if hired?
- If the Member or Associate intends to offer retail forex, does the Member have procedures to screen persons with whom the Member intends to do forex business to determine if they are required to be registered with the Commission and, if so, to ensure that they are Members of NFA?
- Does the Member supervise sales solicitations by one or more of the following methods: direct listening, reviewing taped solicitations, silent phone monitoring and customer contact?
- Does the Member provide its APs with training on proper sales solicitations for transactions in the forex, futures and options markets?
- Does the Member distribute changes in rules or regulations to appropriate personnel?
- Does the Member monitor incoming and outgoing mail in order to intercept/identify any customer complaints?
- Does an officer or other supervisory personnel regularly review trading in non-customer and proprietary trading accounts?
- If the firm has had any traders with reportable positions, has it filed a Form 40 with the CFTC? (CFTC Regulation 15.03). If not, the firm must file this form immediately.

Ethics Training (Interpretive Notice ¶9051 and Compliance Rule 2-9)

- Does the Member have policies and procedures regarding the ethics training requirements for APs, detailing areas such as content, frequency and format of training? For further assistance in drafting these ethics training procedures, see [Appendix C on NFA's website](#).
- Have all of the Member's APs received ethics training in accordance with the firm's procedures? Has the Member maintained records documenting compliance with these procedures, including dates and providers of training and materials used or distributed?
- Does the firm use an ethics training provider (either internal or external) who is qualified to conduct training (e.g. has completed relevant proficiency testing and has three years of relevant industry experience, or similar experience)?

Business Continuity and Disaster Recovery Plan (Compliance Rule 2-38 and Interpretive Notice ¶9052)

- Does the firm test its business continuity and disaster recovery plan on a periodic basis or at least once a year?
- Has a supervisory individual reviewed the plan and signed off that review? For further assistance in drafting a business continuity and disaster recovery plan, see [Appendix B on NFA's website](#).

Account Opening (Compliance Rules 2-9, 2-10, 2-30 and 2-36)

- Does the firm obtain the following information from customers who are individuals: name, address, occupation or business description, estimated annual income, estimated net worth, age and prior investment and futures trading experience? For all other non-ECP customers: name, address, principal business, net worth or net assets and current estimated annual income (if not available the previous year's annual income)?
- Does the Member require that the necessary information be obtained and recorded prior to permitting a new account to commence trading?
- If an account is opened in the name of an entity, does the Member obtain some type of authorization signed by appropriate personnel (such as a corporate resolution) indicating who has the authority to open and trade the account and identifying any account limitations?
- Does the Member require a partner, officer, director, branch office manager or other supervisory employee to approve a new customer account and document this review?
- Does the firm provide adequate risk disclosure to customers prior to opening an account?
- If the Member intends to offer retail forex, has the Member provided the customer with the risk disclosure statement required by CFTC Regulation 5.5(b)?

Privacy Rules (CFTC Regulation 160 and NFA Compliance Rule 2-4)

- Does the firm have a written privacy policy pertaining to consumer financial information as required by CFTC Regulation 160? Does the firm provide the privacy notice to customers at the time the account is opened and annually thereafter?
- Does the firm provide and obtain customer “opt out” notices as required?
- For further assistance in drafting these privacy procedures, see [Appendix D on NFA's website](#).

Promotional Material (Compliance Rule 2-29 and 2-36)

- Does the Member have written procedures to supervise the preparation and use of promotional material?
- Does the Member require an officer, general partner, sole proprietor, branch office manager or other supervisory employee other than the individual who prepared the material to approve promotional material in writing before its use?
- Does the Member maintain all promotional materials and written approvals for a period of five years from the date last used?
- Does the Member maintain supporting documentation for all statements, claims and performance results?
- Does the firm ensure that the promotional material includes all material information necessary to ensure that it is not misleading?
- If the material mentions the possibility of profit including the presentation of profitable past performance results, does the Member include an equally prominent statement of the risk of loss?
- Does the Member calculate rates of return in a manner consistent with CFTC Part 4 Regulations?
- Does the Member ensure that any presentation of past performance of any actual accounts is representative of the actual performance of all reasonably comparable accounts for the same time period?
- Does the Member include a statement that past results are not necessarily indicative of future results when past performance is mentioned?
- Does the Member ensure that statements of opinion are identifiable as such and have a reasonable basis in fact? Does the Member maintain support for such statements?
- Does the Member ensure that the promotional material does not include any guarantee against loss?
- Does the Member ensure that reprints of articles have been supplemented with the proper disclosures and disclaimers?

- Does the Member include the hypothetical performance disclaimer prescribed by NFA Compliance Rule 2-29(c) with any hypothetical performance results? The Member must cease using hypothetical results when there are three months or more of actual trading results for the offered program.
- When the Member uses hypothetical results for a trading system, does the Member also include either the actual results of all customer accounts directed by the Member for the past five years (or entire performance history if less than five years), or if the Member has less than one year of experience directing accounts, the results of any proprietary trading over the past five years (or the entire performance history if less than five years)?
- Does the Member calculate hypothetical results in the same way as actual results?
- When the Member uses both hypothetical results and actual results, does the Member ensure that the actual results and hypothetical results are appropriately identified, separately formatted, discussed in an equally balanced manner and calculated pursuant to the same rate of return method?
- Does the Member explain all material assumptions made in preparing hypothetical results, including at least the minimum investment amount, distribution or reinvestment of profits, commission charges, management and incentive fees, and the method used to determine the purchase and sale price for each trade? (Interpretive Notice 9025)
- Does the Member submit all radio, television advertisements, audio podcasts and videos on the internet that make any specific recommendations or refer to or describe the extent of any profit obtained in the past or that can be achieved in the future to NFA's promotional material review team for its review and approval at least 10 days prior to first use?
- Does the Member prohibit the use of promotional material that contains any of the following? :
 - Claims regarding seasonal trades;
 - Claims regarding historical price moves;
 - Claims regarding price movements that are characterized as conservative estimates when in fact such price movements would be dramatic;
 - Claims using certain pricing data for a product different from the one being marketed in the promotional material;
 - Claims containing profit projections;
 - Claims containing "cherry picked" trades; and
 - Claims regarding mathematical examples of leverage as a means of suggesting that prospective customers are likely to earn large profits from trading.

- Does the Member ensure employees and agents are not purchasing leads from non-Members required to be registered and/or using fraudulent advertising practices? Does the Member maintain a record of any non-member or member advertisement used?
- If the Member intends to offer retail forex, has the Member ensured that its promotional material does not represent that? :
 - forex funds deposited with an FDM are given special protection under the bankruptcy laws or that assets necessary to satisfy its obligations to customers are more secure because the Member keeps some or all of those assets at a regulated entity in the U.S. or a money center country. (Interpretive Notice 9028)
 - Its services are commission free without prominently disclosing how it is compensated in near proximity to that representation. (Interpretive Notice 9028)
 - It offers trading with "no-slippage" or that it guarantees the price at which a transaction is filled (unless it can also demonstrate that all orders for all customers have been executed and fulfilled at the price initially quoted on the trading platform when the order was placed and no authority exists, pursuant to a contract, agreement, or otherwise, to adjust customer accounts in a manner that would have the direct or indirect effect of changing the price at which an order was executed). (Interpretive Notice 9028)
 - Solicits customers based on the leverage available unless the material balances any discussion regarding the advantages or leverage with an equally prominent contemporaneous disclosure that increasing leverage increases risk. (Interpretive Notice 9028)

E-Mails (Interpretive Notice ¶9037 and NFA Compliance Rules 2-9 and 2-29)

- Does the Member have written procedures to review the use of futures-related e-mail by employees and agents, which identify by title or position the person responsible for conducting the review and address how and with what frequency e-mails will be reviewed, how that review will be documented and what type of e-mails will be pre-reviewed and post reviewed?
- Does the Member ensure e-mails are in compliance with NFA's promotional material content and review procedures?

Websites and Social Networking Groups (Interpretive Notices ¶9037 and ¶9063 and NFA Compliance Rules 2-9 and 2-29)

- Does the Member have written procedures to supervise the preparation and use of websites?
- Does the Member require prior review and written approval of the website by an appropriate supervisor?

- Does the Member ensure the website meets the standards of content established in Compliance Rule 2-29.?
- Does the Member ensure paid hyperlinks to the firm's website do not contain deceptive information regarding futures or options trading?
- Does the Member monitor the general content of any websites to which the Member links?
- Does the Member properly review personal websites or on-line social networking groups used by employees or agents to attract business for the firm?
- Does the Member monitor blogs, chat rooms or futures or forex-related forums hosted by the firm or its Associates and take down any misleading or fraudulent posts and ban users for egregious or repeat violations?

Supplemental Questionnaire for FCMs

Financial

- Is the preparer of the firm's financial books and records an AP/Principal or under the direct supervision of an AP/Principal? (CFTC Regulation 1.10 and NFA Financial Requirements Section 4)
- Does the firm balance accounting records on a regular basis? (CFTC Regulation 1.18(a) and NFA Compliance Rule 2-10)
- Does the firm retain financial and compliance records for five years? (Compliance Rule 2-10)
- Does the firm maintain a general ledger on an accrual basis? (CFTC Regulation 1.18(a) and NFA Compliance Rule 2-10)
- Does the firm prepare a trial balance on a regular basis? (CFTC Regulation 1.18(a) and NFA Compliance Rule 2-10)
- Does the firm prepare detailed support to convert the trial balance or general ledger to the financial statement format? (CFTC Regulation 1.18(a) and NFA Compliance Rule 2-10)
- Does the firm prepare monthly capital computations and required 1-FR or FOCUS statements including supplementary schedules within 17 business days after the month end? (CFTC Regulation 1.10(a)(2), CFTC Regulation 1.10(b), and NFA Financial Requirements Section 1(b))
- Does the firm file the required 1-FR and FOCUS statement with NFA or the firm's DSRO, and the CFTC, by the due dates? (CFTC Regulation 1.10(a)(2), CFTC Regulation 1.10(b), NFA Financial Requirements Section 1, NFA Financial Requirements Section 1(b))
- Does the firm prepare daily segregation and secured amount computations by noon of the following day? (CFTC Regulation 1.32 and NFA Compliance Rule 2-10)
- Does the firm monitor intra-day capital compliance? (CFTC Regulation 1.12 and NFA Financial Requirements Section 4)
- Does the firm maintain complete and detailed records of all securities held or owned by the firm? (CFTC Regulation 1.27)
- Does the firm clearly designate all customer securities and property as customer segregated? (CFTC Regulation 1.20 and NFA Financial Requirements Section 4)
- Does the firm review the equity run to ensure accounts of officers, directors, partners and employees are reflected separately from customers? (NFA Compliance Rules 2-9 and 2-10)
- Has the firm submitted subordinated loan agreements to the DSRO for approval at least 10 days before the effective date? In addition, for FCMs that are also registered as

broker-dealers, is a copy of the firm's securities industry designated examining authority's approval filed with NFA immediately upon receipt? (CFTC Regulation 1.17(h)(3)(vi) and NFA Financial Requirements Section 4)

- Does the firm maintain written policies and procedures regarding the maintenance of the FCM's residual interest in its customer segregated and foreign secured accounts that target amounts (either by percentage or dollars) that the FCM seeks to maintain as its residual interest and are designed to reasonably ensure the FCM maintains these target amounts? (NFA Financial Requirements Section 16(a))
- Have the procedures been approved in writing by the FCM's Board of Directors, CEO or CFO? (NFA Financial Requirements Section 16(a))
- Have any changes to the FCM's targeted residual amount or any material changes in the firm's procedures regarding residual interest in customer segregated or foreign secured accounts been approved in writing by the FCM's Board of Directors, CEO or CFO? (NFA Financial Requirements Section 16(b) and (c))
- Does the firm require that any withdrawal, transfer or disbursement, not made for the benefit of customers, from any customer segregated or foreign secured account that exceeded 25% of the firm's residual interest, whether occurring as a single transaction or multiple transactions in a single day is pre-approved in writing by the FCM's CEO, CFO or other designated Financial Principal as allowed by NFA Financial Requirements Section 16? (NFA Financial Requirements Section 16(b) and (c))
- Does the firm ensure that written notice signed by the FCM's CEO, CFO or Financial Principal is immediately filed with NFA upon any withdrawal, transfer or disbursement, not made for the benefit of customers, from any customer segregated or foreign secured account that exceeded 25% of the firm's residual interest, whether occurring as a single transaction or multiple transactions in a single day? (NFA Financial Requirements Section 16(b) and (c))
- Does the firm prepare semi-monthly Segregated Investment Detail Reports (SIDRs) and file with NFA within one business day? (NFA Financial Requirements Section 16(d))

Supervision

- Has the firm provided adequate risk disclosure to customers purchasing deep out-of-the-money options? (NFA Compliance Rules 2-30 and 2-4)
- If the FCM permits its APs to maintain an account at other IBs or FCMs, does the firm require an AP to obtain written authorization from an appropriate supervisory person of the firm who will be responsible for reviewing the AP's account and require the AP to instruct the other IB or FCM to transmit copies of statements and order tickets relating to his/her account to the FCM on a regular basis? (CFTC Regulation 1.55.3(c) and NFA Compliance Rules 2-9 and 2-10)

- Does the FCM maintain records that clearly identify which customer accounts are discretionary? (NFA Compliance Rule 2-8(a))
- Has the firm established written procedures to supervise the trading of discretionary accounts? (NFA Compliance Rule 2-8(b))
- Does the FCM require that an appropriate supervisory person regularly review discretionary trading activity and prepare a written record of the review of discretionary accounts? (NFA Compliance Rule 2-8(b))
- Does the firm ensure that APs have been continuously registered for a minimum of two years prior to handling discretionary accounts? (NFA Compliance Rule 2-8(c))
- If fees and charges are not determined on a per-trade or round-turn basis, has the firm provided customers with a written explanation of the charges and reasonable examples on a per-trade or round-turn basis? (NFA Interpretive Notice 9005 and NFA Compliance Rule 2-4)
- For accounts of employees of other commodity firms, does the firm obtain written authorization from a person designated by such other FCM or IB with responsibility for surveillance over the employee's account and transmit regularly to the FCM or IB customer statements and order tickets for the account. (CFTC Regulation 1.55.3(c) and NFA Compliance Rule 2-10)
- Has the firm designated a Chief Compliance Officer(s) who is also listed as a principal(s) of the firm per NFA's Online Registration System? (CFTC Regulation 3.3)

Due Diligence Prior to Trading

- Does the firm carefully examine a potential customer's creditworthiness, business reputation, market knowledge and anticipated trading patterns before authorizing a customer to commence trading? (NFA Compliance Rules 2-9 and 2-30)
- Does the firm establish margin requirements and risk guidelines or limits for each customer? Does the firm periodically review these parameters and revise them as necessary? (NFA Financial Requirements Section 7)
- Does the firm provide adequate risk disclosure about the markets appropriate to the particular customer and type of trading anticipated? (NFA Compliance Rule 2-30)
- Has the firm established customer confidentiality procedures to prevent unauthorized use of customer information and trade data for the benefit of other customers? (CFTC Regulation 160.30)

Anti-Money Laundering (NFA Compliance Rule 2-9(c) and NFA Interpretive Notice ¶ 9045)

- Has the firm adopted a policy statement that clearly outlines the firm's policy against money laundering and terrorist financing, its commitment to follow all applicable laws to ensure that its business is not used to facilitate money laundering and the consequences to employees for not following the firm's procedures?

- Does the firm have a written anti-money laundering program that includes: a customer identification program that enables the firm to form a reasonable belief that it knows the true identity of each customer; procedures that enable firm personnel to recognize suspicious customers and transactions, require personnel to report suspicious or unusual activity or transactions to appropriate supervisory personnel and FinCEN when required, and ensure that the firm maintains an adequate audit trail to assist law enforcement agencies in any investigation? For further assistance in drafting an anti-money laundering program, see [Appendix A on NFA's website](#).
- Has the firm ensured that senior management has approved the anti-money laundering program in writing?
- Has the firm provided training at least every 12 months to all of its employees that work in areas susceptible to money laundering?
- Has the program been subject to an independent review at least every 12 months that tests the adequacy of the program?
- Does the firm have a designated person or persons to oversee the AML program who is either a designated principal or Associate Member or who reports to the firm's senior management?

Customer Trading

- Does the firm maintain any documents produced or obtained as a result of the order flow/trading process for a period of five years (i.e., customer order tickets, trade listing, equity run, customer statements, open position listing, day trade listing, P & S recap)? (CFTC Regulation 1.31 and 1.35, NFA Compliance Rule 2-10)
- For accounts of IBs, does the firm identify the FCM and IB on the account statements? (CFTC Regulation 1.33(f) and NFA Compliance Rule 2-10)
- Does the firm use pre-numbered customer order tickets or assign an internally generated order number to each order ticket immediately upon receipt of the order from the customer? (CFTC Regulation 1.35(a-1) and NFA Compliance Rule 2-10)
- Does the firm keep all customer order tickets (filled, unfilled, open, canceled)? (CFTC Regulation 1.35(a) and NFA Compliance Rule 2-10)
- Does the firm record the following information on customer order tickets: date, commodity options/futures, account identification, quantity long/short, requested price and fill price? For customer option orders only, does the firm record put or call, strike price and premium? (CFTC Regulation 1.35(a-1) and NFA Compliance Rule 2-10)
- Does the firm ensure that sufficient information to identify the customer from entry through post-execution reporting is obtained? (CFTC Regulation 1.35(a-1) and NFA Compliance Rule 2-10)

- Does the firm identify discretionary customer orders as discretionary? (NFA Compliance Rule 2-8(a))
- For discretionary accounts included in a bunched order, does the firm establish written procedures to allocate split fills and partial fills in a systematic and non-preferential manner? (NFA Compliance Rule 2-4, NFA Interpretive Notice ¶ 9029)
- For bunched orders placed by CTAs, does the firm ensure that required information is obtained prior to the end of the trading day concerning the number of contracts to be allocated to each account included in a bunched order along with instructions for the allocation of split and partial fills among accounts? (NFA Compliance Rule 2-4, NFA Interpretive Notice ¶ 9029)
- Does the firm time-stamp futures order tickets immediately upon receipt of the order? (CFTC Regulation 155.3(c)(2))
- Does the firm time-stamp options order tickets immediately upon receipt of the order from the customer and upon transmission of the order for execution? (CFTC Regulation 1.35(a-1))
- Does the firm transmit customer orders executable at or near the market to the floor before any orders in the same commodity for proprietary accounts or other accounts affiliated with the firm? (CFTC Regulation 155.3(a))
- Does the firm record the fill price when it is received? (CFTC Regulation 1.35(a-1) and NFA Compliance Rule 2-10)
- Does the firm promptly call the customer with the fill information? (Recommended Best Practice)
- Does the firm prohibit the inclusion of discretionary and non-discretionary orders on a block order? (CFTC Regulation 155.3(a))
- Does the firm prohibit trades for proprietary and non-customer accounts to be combined with customer orders on block orders? (CFTC Regulation 155.3(a))

Margins

- Does the firm make margin calls when an account is under margined? (NFA Financial Rules Section 7)
- Does the firm prepare a written daily listing of outstanding calls that indicates the number of days the call is outstanding? (Recommended Best Practice)
- Does the firm collect margin calls in a timely manner? (Financial Requirements Section 7)
- Does the firm accept only immediately available funds from omnibus accounts—Acceptable forms are wire transfers or certified checks? (NFA Compliance Rule 2-33)
- Does the firm set a pre-determined length of time allowed for the collection of outstanding margin calls? (Recommended Best Practice)

- Does the firm aggregate related accounts as if they were one account when determining if excess margin is available for withdrawal? (Financial Requirements Section 7)
- Does the firm margin domestic omnibus accounts on a gross basis? (Financial Requirements Section 7 and CFTC Regulation 1.58)
- Does the firm obtain current margin rates and SPAN risk parameters on a regular or daily basis? (Financial Requirements Section 7)

Account Statements

- Does the firm mail confirmation statements to customers no later than the business day after the customer transaction? (CFTC Regulation 1.33(b))
- Does the firm mail monthly statements to active customers promptly after every month end and inactive customers at least every three months? (CFTC Regulation 1.33(a))
- Does the firm forward daily and monthly trade confirmations by means of electronic media to any customer who consents to delivery by that method, subject to certain conditions? (CFTC Regulation 1.33(g))
- Does the firm offset positions on a FIFO basis unless the customer gives other instructions? (NFA Compliance Rule 2-10 and CFTC Regulation 1.46)

Give-Up Transactions

- Does the firm know their rights and responsibilities for a give-up transaction? (Recommended Best Practice)
- Does the executing broker notify the carrying broker promptly after an order has been executed if a customer has initiated trades that, in the circumstances, appear to deviate significantly from the customer's normal trading activities? (Recommended Best Practice)
- Does the executing broker provide all relevant trade information to the carrying broker as soon as practicable after a trade has been executed? (Recommended Best Practice)
- Does the carrying broker keep a list of customers' executing brokers and adopt procedures to assure that the list is current? Does the carrying broker establish and communicate to an executing broker limits (e.g., order size, daily aggregate positions) on the trades that the executing broker can accept for each customer? (Recommended Best Practice)

Automatic Order Routing System (NFA Interpretive Notice ¶ 9046 and NFA Compliance Rules 2-4, 2-9 and 2-10)

- Has the firm established written procedures to ensure that:
 - The order-routing process protects the integrity and confidentiality of orders and account information at all points during the process?
 - The delivery and reporting of customers orders is timely and efficient? Customer complaints about order delivery and reporting are addressed expeditiously?

- The system monitors trading and imposes controls on trading activity for each customer in order to prevent the customer from entering into trades that create undue financial risks for the firm or its other customers?
- Does the firm disclose pertinent information about the Automatic Order Routing System, including, but not limited to the following? :
 - The time frame established for completion of transactions.
 - The time frame and process for informing customers of exceptions to normal processing of orders or requests.
 - Days and hours of operation.
 - Fees, commissions or costs associated with the transaction. Information to enable customers to file claims, ask questions, register complaints and obtain information on customer recourse.
- Has the firm established security appropriate to protect internal systems from viruses and malicious code and to prevent unauthorized access?
- Does the firm monitor security procedures and update due to technology changes?
- Does the firm identify and authenticate authorized users and the protection of personally identifiable information? This should include limiting access to systems and data only to authorized employees based upon their assigned roles and responsibilities, using encryption or other equivalent security procedure to protect the transmission of information, and preventing customers from accessing others' information.
- Has the firm established procedures to disclose to users any breaches or possible breaches to the system?
- Has the firm established procedures to monitor availability and capacity compared to the disclosed commitments and provide for expected future requirements?
- Does the firm document, authorize, test and approve proposed system changes before implementation to protect the availability of the system?
- Does the firm provide for backup, offsite storage, restoration and disaster recovery processes sufficient to achieve the disclosed availability commitments?
- Does the firm ensure policies are current with disclosed business practices, laws and regulations?

Security Futures Products (Rules and Resources and NFA Compliance Rule 2-37 and Interpretive Notices 9043, 9044, 9049 and 9050)

- Does the Member have a designated security futures principal at each main or branch office?
- Does the Member check the Central Registration Depository (CRD) for information on prospective employees who will be involved in security futures activities and obtain and review a copy of the individual's most recent Form 8-T or U5?

- Does the Member require APs to complete appropriate security futures products training modules?
- Does the Member ensure that the firm's written procedures address the following? :
 - Compliance with applicable securities laws, including Sections 9(a), 9(b), and 10(b) of the Securities Exchange Act of 1934.
 - The review and approval of customer accounts including:
 - Specific criteria and standards to be used in evaluating the suitability of a customer to engage in security futures transactions.
 - Specific procedures for approving accounts to engage in security futures transactions, including requiring written approval by a designated security futures principal.
 - A requirement that the designated security futures principal explain, in writing, why he or she has approved an account that does not meet the specific criteria and standards set forth in the procedures.
 - Specific financial requirements for initial approval and maintenance of customer accounts that engage in security futures transactions.
- Before entering into a guarantee agreement with an IB, does the Member check the Central Registration Depository (CRD) for any derogatory information on the IB, its principals and its employees who will be involved in security futures activities?
- Does the Member provide the risk disclosure statement required by Compliance Rule 2-30(b) prior to approving an account to trade security futures?
- Does the Member obtain the following additional information from customers before commencing trading? :
 - Identification that the customer account is speculative or hedge;
 - Employment status;
 - Estimated liquid net worth;
 - Marital status; and
 - Number of dependents.
- Does the Member require that the customer account record include the name of the Associate, how the customer account information was obtained and the date the required risk disclosure statement was provided?
- Does the Member ensure that on an annual basis, customers are provided with written notice regarding NFA's Background Affiliation Status Information Center (BASIC) at www.nfa.futures.org/basicnet?
- Does the Member notify NFA within 10 business days of any required reportable events?
- Does the Member submit a quarterly report to NFA regarding written customer complaints?

- Does the Member ensure that promotional material meets the following requirements? :
 - Prominently identifies the Member;
 - Includes the date that the material was first used;
 - Provides contact information for obtaining a copy of the disclosure statement for security futures products;
 - States that security futures products are not suitable for all customers;
 - Does not include any statement suggesting that security futures positions can be liquidated at any time;
 - Does not include any cautionary statement, caveat, or disclaimer that is not legible, that attempts to disclaim responsibility for the content of the promotional material or the opinions expressed in the material, that is misleading, or that is otherwise inconsistent with the content of the material;
 - Discloses the source of any statistical tables, charts, graphs or other illustrations from a source other than the Member, unless the source of the information is otherwise obvious;
 - States that supporting documentation will be furnished upon request if it includes any claims, comparisons, recommendations, statistics or other technical data;
 - If soliciting for a trading program that will be managed by an FCM or IB or Associate of an FCM or IB, it includes the cumulative performance history of the Member's customers or states that the trading program is unproven;
 - Refers to past recommendations regarding security futures products, the underlying securities, or a derivative thereof only if it lists all similar recommendations made by the Member or Associate within the last year;
 - Includes current recommendations regarding security futures products only if: (i) the Member has a reasonable basis for the recommendation; (ii) the material discloses all material conflicts of interest created by the Member's or Associate's activities in the underlying security; and (iii) the material contains contact information for obtaining a list of prior recommendations;
 - Includes only a general description of the security futures products for which accounts, orders, trading authorization, or pool participations are being solicited; the name of the Member; and contact information for obtaining a copy of the current disclosure statement for security futures products; (unless the promotional material is accompanied or preceded by the disclosure statement for security futures products); and
 - Has been submitted to NFA for review and approval at least ten days prior to first use if it reaches or is designed to reach a public audience through mass media.

Supplemental Questionnaire for FDMs

Financial

- Is the preparer of the firm's financial books and records an AP/Principal or under the direct supervision of an AP/Principal? (NFA Financial Requirements Section 13)
- Does the firm balance accounting records on a regular basis? (CFTC Regulation 5.14 and NFA Compliance Rule 2-36(k))
- Does the firm retain financial and compliance records for five years? (CFTC Regulation 5.14 and NFA Compliance Rule 2-36(k))
- Does the firm maintain a general ledger on an accrual basis? (CFTC Regulation 5.14 and NFA Compliance Rule 2-36(k))
- Does the firm prepare a trial balance on a regular basis? (CFTC Regulation 5.14 and NFA Compliance Rule 2-36(k))
- Does the firm prepare and maintain detailed support to convert the trial balance or general ledger to the financial statement format? (CFTC Regulation 5.14 and NFA Compliance Rule 2-36(k))
- Does the firm prepare monthly capital computations and required 1-FR or Focus statements including supplementary schedules within 17 business days after the month end? (CFTC Regulation 5.12 and NFA Financial Requirements Section 11)
- Does the firm file the required 1-FR and Focus statement with NFA or the firm's DSRO, and the CFTC, by the due dates? (CFTC Regulation 5.12 and NFA Financial Requirements Section 11)
- Does the firm prepare Forex daily reports each business day and file the reports by noon on the following business day? (NFA Financial Requirements Section 13)
- Does the firm prepare monthly operational risk reports and quarterly reports with up-to-date performance disclosures within 17 business days after the end of each month or quarter for which the report is prepared? (NFA Financial Requirements Section 13)
- Does the firm monitor trading activity to ensure intra-day capital compliance and file the appropriate notices with NFA, other DSROs and the CFTC if the firm falls below required capital levels? (CFTC Regulation 5.16 and NFA Compliance Rule 2-36(k))
- For purposes of determining adjusted net capital under CFTC Regulation 5.7 (incorporating CFTC Regulation 1.17), does the firm ensure it has not included assets held by an affiliate (unless approved by NFA) or an unregulated person in its current assets? An affiliate is any person that controls, is controlled by, or is under common control with the Forex Dealer Member. (NFA Financial Requirements Section 11)
- Does the firm maintain complete and detailed records of all securities held or owned by the firm? (CFTC Regulation 5.14 and NFA Compliance Rule 2-36(k))

- On a periodic basis, does the firm review the equity run to ensure accounts of officers, directors, partners and employees are reflected separately from customers? (CFTC Regulation 5.8 and NFA Compliance Rule 2-36(k))
- Has the firm submitted all subordinated loan agreements to the firm's DSRO for approval at least 10 days before the effective date? In addition, for Forex Dealer Members that are also registered as broker-dealers, is a copy of the firm's securities industry designated examining authority's approval filed with NFA? (CFTC Regulation 5.7 and NFA Compliance Rule 2-36(k))
- On a daily basis, does the firm calculate the amount owed to customers for forex transactions and ensure it holds assets equal to or in excess of that amount, at one or more qualifying institutions in the United States or money center countries as defined in CFTC Regulations 1.49 and 5.8 and in accordance with NFA Financial Requirements Sections 11 and 14?

Disclosure

- Prior to opening a customer account, does the firm provide customers with a risk disclosure statement that meets the criteria of CFTC Regulation 5.5 and obtain a signed and dated acknowledgement from the customer indicating that he/she received and understood the statement? Does the firm ensure that the statement includes the performance disclosures required by CFTC Regulation 5.5(e)? (CFTC Regulation 5.5 and NFA Compliance Rule 2.36(k)).
- Does the firm provide customers with information relating to NFA's BASIC system prior to engaging in Forex transactions and annually thereafter? (NFA Compliance Rule 2-36(f) and NFA Interpretive Notice ¶ 9053)

Supervision

- Has the firm designated a Chief Compliance Officer(s) who is also listed as a principal(s) of the firm per NFA's Online Registration System? (CFTC Regulation 5.18(g) and NFA Compliance Rule 2-36(j))
- Does the firm have a process in place to establish, maintain, review, modify and test policies and procedures that are reasonably designed to achieve compliance with the CEA, CFTC Regulations and orders thereunder, and NFA Requirements? Has the CCO filed the annual certification (to be filed at the time it files its annual certified financial report) that the FDM has compliance processes in place and that the CCO has apprised the FDM's CEO (or equivalent management personnel) of the FDM's compliance efforts to date, as well as identified any significant compliance problems and the CCO's plan to address those problems? (NFA Compliance Rule 2-36(j) and CFTC Regulation 5.18(g))
- Has the firm ensured that no AP, principal, or the firm itself maintains discretion over customer accounts? (CFTC Regulation 5.2(c) and NFA Compliance Rule 2-36(k))

- For third party discretionary accounts, does the firm review these accounts on a periodic basis and maintain written evidence of the review? (NFA Compliance Rule 2-36(e))
- Does the firm establish, maintain and enforce written supervisory procedures over the Member's forex business, including the activities of the Member's Associates and agents? (NFA Compliance Rule 2-36(e))
- Does the firm screen the background of prospective Associates, as well as persons who introduce customer business or manage customer accounts? (NFA Compliance Rule 2-36 and NFA Interpretive Notice 9053)
- Does the firm establish, maintain and enforce written supervisory procedures over the activities of third parties with which it does business? (NFA Compliance Rule 2-36(e) and NFA Interpretive Notice 9053)
- Does the firm conduct an annual on-site visit to branch offices, guaranteed IBs and affiliates with which it conducts forex business? (NFA Compliance Rule 2-36(e) and NFA Interpretive Notice 9053)
- Does the firm maintain a record of any communication regarding possible violations of the CEA or CFTC Regulations? The record must include the name of complainant (if known), date of the communication, the agreement, contract or transaction at issue, the substance of the communication and the name of the person who received the communication. Does the firm provide CFTC Division of Enforcement an electronic copy of these communications no later than 30 days after it is received or within 3 business days if the communication concerns facts giving rise to possible fraud under the CEA or CFTC Regulations? (CFTC Regulation 5.18(g) and NFA Compliance Rule 2-36(k))

Customer Trading and Reporting

- Does the firm maintain procedures to monitor the activity in customer accounts and maintain written evidence of the review? (NFA Compliance Rule 2-36(e))
- Does the firm ensure that any price adjustments have been made in accordance with NFA Compliance Rule 2-43?
- Does the firm report price adjustments to NFA on a weekly basis? (NFA Compliance Rule 2-36(e) and NFA Interpretive Notice 9060)
- Does the firm provide daily, monthly (or quarterly where applicable) account statements required under CFTC Regulation 5.13 that prominently display the account's equity? The account equity is the sum of all realized profits and losses, all unrealized profits and losses, and any other cash and collateral in the account.

Security Deposits (CFTC Regulation 5.9 and NFA Financial Requirements Section 12)

- Does the firm collect and maintain the required security deposit for any customer that is not an eligible contract participant?

- Does the firm review customer accounts to ensure that customers are in compliance with security deposit requirements?
- Does the firm require customers to post additional security deposits when their account falls below security deposit requirements?
- Does the firm collect additional security deposits in a timely manner?
- Does the firm liquidate the customer's positions if the customer does not post any additional security deposit necessary to maintain the required security deposit amount?

Electronic Trading Systems (CFTC Regulation 5.18, NFA Compliance Rule 2-36(e), and NFA Interpretive Notice ¶ 9060)

- Has the firm established ETS procedures in accordance with NFA's Interpretive Notice and CFTC Regulation 5.18? At a minimum, the firm's procedures must address security, capacity, integrity, recordkeeping, and credit and risk management controls.
- Did the firm provide NFA with a copy of these procedures?
- Has the firm assigned the responsibility for complying with the ETS Notice to individuals who are under the ultimate supervision of an associated person who is also a listed principal?
- Has the firm notified NFA about its current trading platforms in use?
- Does the firm notify NFA if they change their trading platforms?
- Does the firm ensure that the system produces profit and loss reports, assessment reports and exception reports?
- If the FDM whitelabels a platform of another FDM, the FDM may rely on the procedures of the sponsor FDM. However, if the FDM whitelabels a non-FDM system, does the firm ensure that the whitelabel sponsor is complying with NFA's ETS Interpretive Notice?
- Does the firm ensure that an AP who is also a principal certifies annually that the system is in compliance with NFA's Requirements?
- Does the firm conduct periodic reviews of the system and document these reviews?
- Does the firm maintain a record of how rollovers are calculated?
- Does the firm maintain a record of the method used to calculate the bid/ask spread?
- Does the firm ensure that the system provides customers symmetrical re-quoting? This means if you provide a retail forex customer a new bid price for a retail forex transaction that is lower than its previous bid, you must provide a new asked price that is also lower than its previously asked price by a similar amount. This also means if you provide a retail forex customer a new bid price for a retail forex transaction that is higher than its previous bid, you must provide a new asked price that is also higher than its previously asked price by a similar amount.
- Has the firm established and implemented a prompt and effective method to notify customers when operational difficulties occur?

- Has the firm established and implemented a procedure to inform NFA no later than 24 hours after an outage of the firm's trading system has occurred?
- Has the firm provided customers with advance disclosure of factors that may adversely impact a firm's system?

Supplemental Questionnaire for IBs

Supervision of Accounts

- If the IB permits its APs to maintain an account at other IBs or FCMs, does the firm require the AP to obtain written authorization from an appropriate supervisory person of the IB who will be responsible for reviewing the AP's account and require the AP to instruct the other IB or FCM to transmit copies of statements and order tickets relating to his/her account to the IB on a regular basis? (CFTC Regulation 1.55 and NFA Compliance Rules 2-9 and 2-10)
- Does the IB maintain records that clearly identify which customer accounts are discretionary? (NFA Compliance Rule 2-8(b))
- Does the IB have written procedures to supervise the trading of discretionary accounts? (NFA Compliance Rule 2-8(b))
- Does the IB require that an appropriate supervisory person regularly reviews discretionary trading activity and prepare a written record of the review? (NFA Compliance Rule 2-8(b))
- Does the firm ensure that APs have been continuously registered for a minimum of two years prior to handling discretionary accounts? (NFA Compliance Rule 2-8(c))
- If the IB accepts accounts controlled by a third party, does the IB obtain a copy of the account controller's written trading authorization or a written acknowledgment from the customer that such authorization has been given prior to accepting any orders from the third party? (NFA Compliance Rule 2-8)
- If the IB imposes fees and/or charges that are not determined on a per-trade or round-turn basis, does the IB provide customers with a complete written explanation of the charges? (NFA Interpretive Notice ¶ 9005 and NFA Compliance Rule 2-4).

Due Diligence Prior to Trading

- Does the IB review the financial standing of omnibus accounts and commodity pools before the accounts are accepted? (NFA Compliance Rule 2-9)
- Does the IB carefully examine a potential customer's creditworthiness, business reputation, market knowledge and anticipated trading patterns before authorizing a customer to commence trading? (NFA Compliance Rules 2-9 and 2-30)
- Does the IB provide adequate and appropriate risk disclosure about the markets appropriate based on the particular customer and type of trading anticipated? (NFA Compliance Rules 2-4 and 2-30)
- If the IB trades one or more proprietary accounts, either on its own behalf or for an affiliate, does the IB have clearly defined trading objectives and loss limits or risk guidelines consistent with these objectives? If the IB has granted trading authority to an account manager or relies on individuals to implement the entity's objectives, has the IB

instituted appropriate procedures to protect against unauthorized trading by employees or independent account managers? (NFA Compliance Rules 2-9 and 2-4)

Anti-Money Laundering Program (NFA Compliance Rule 2-9(a) and NFA Interpretive Notice ¶ 9045)

- Has the firm adopted a policy statement that clearly outlines the firm's policy against money laundering and terrorist financing, its commitment to follow all applicable laws to ensure that its business is not used to facilitate money laundering and the consequences to employees for not following the firm's procedures?
- Does the firm have a written anti-money laundering program that includes: a customer identification program that enables the firm to form a reasonable belief that it knows the true identity of each customer; procedures that enable firm personnel to recognize suspicious customers and transactions, require personnel to report suspicious or unusual activity or transactions to appropriate supervisory personnel and FinCEN when required, and ensure that the firm maintains an adequate audit trail to assist law enforcement agencies in any investigation? See [Appendix A](#) for assistance in drafting an AML program.
- Has a member of the firm's senior management approved the AML program in writing?
- Has the firm provided training at least every 12 months to all of its employees that work in areas susceptible to money laundering?
- Has the program been subject to an independent review at least every 12 months that tests the adequacy of the program?
- Does the firm have a designated person or persons to oversee the AML program who is either a designated principal or Associate Member or who reports to the firm's senior management?

Cash Flow (CFTC Regulation 1.57 and NFA Compliance Rules 2-4)

- Does the IB prohibit employees or agents from accepting any money or other property from customers except checks that are made payable to the FCM? (CFTC Regulation 1.57).
- If the IB accepts checks made payable to the FCM, has the IB received written authorization from the FCM to do so, and does the IB deposit the check in a qualifying bank account or forward the check to the FCM on the same day the check is received? (CFTC Regulation 1.57).

Customer Trading

- Does the IB provide the carrying broker with the account numbers at the time a trade is placed? (NFA Interpretive Notice ¶ 9029 and NFA Compliance Rule 2-10)
- Does the IB maintain any documents produced or obtained as a result of the order flow/trading process for a period of five years (i.e., customer order tickets, trade listing,

equity run, customer statements, open position listing, day trade listing, P & S recap)? (CFTC Regulation 1.31 and NFA Compliance Rule 2-10)

- Does the IB keep all customer order tickets (filled, unfilled, open, canceled)? (CFTC Regulation 1.31 and NFA Compliance Rule 2-10)
- Does the IB use pre-numbered customer order tickets or assign an internally generated order number to each order ticket immediately upon receipt of the order from the customer? (CFTC Regulation 1.35(a-1) and NFA Compliance Rule 2-10)
- Does the IB record the following information on customer order tickets: date, commodity options/futures, account identification, quantity long/short, requested price and fill price? For customer option orders only, does the IB record put or call, strike price and premium? (CFTC Regulation 1.35(a-1) and NFA Compliance Rule 2-10)
- Does the IB time-stamp futures order tickets immediately upon receipt of the order? (CFTC Regulation 1.35(a-1) and NFA Compliance Rule 2-10)
- Does the IB time-stamp options order tickets immediately upon receipt of the order from the customer and upon transmission of the order for execution? (CFTC Regulation 1.35(a-1) and NFA Compliance Rule 2-10)
- Does the IB immediately call the carrying broker or the floor directly upon receipt of a customer order during market hours? (CFTC Regulation 155.4 and NFA Compliance Rule 2-4)
- Does the IB transmit customer orders executable at or near the market to the floor before any orders in the same commodity for proprietary accounts or other accounts affiliated with the firm? (CFTC Regulation 155.4 and NFA Compliance Rule 2-4)
- Does the IB promptly call the customer with the fill information? (Recommended Best Practice)
- Does the IB prohibit discretionary orders and non-discretionary orders from being included in the same bunched order? (CFTC Regulation 155.4 and NFA Compliance Rule 2-4)
- Does the IB prohibit trades for proprietary and non-customer accounts from being combined with customer orders on block orders? (CFTC Regulation 155.4)
- Does the IB have procedures to identify and investigate in a timely manner unusual activity within or among accounts that may indicate illicit trading practices; including large or non-routine account transfers, account number changes and error accounts that appear to be used for trading purposes? (NFA Compliance Rules 2-9 and Rule 2-4)

Financial (Independent IBs only)

- Does the IB monitor for daily capital compliance? (NFA Financial Requirements Section 5 and NFA Compliance Rule 2-10)

- Does the IB maintain a general ledger on an accrual basis? (CFTC Regulation 1.18 and NFA Compliance Rule 2-10)
- Does the IB balance accounting records on a regular basis? (CFTC Regulation 1.18 and NFA Compliance Rule 2-10)
- Does the IB prepare a trial balance on a regular basis? (CFTC Regulation 1.18 and NFA Compliance Rule 2-10)
- Does the IB prepare detailed support to convert the trial balance or general ledger to the financial statement format? (CFTC Regulation 1.18 and NFA Compliance Rule 2-10)
- Does the IB maintain complete and detailed records of all securities held or owned by the firm? (CFTC Regulation 1.18 and NFA Compliance Rule 2-10)
- Does the IB review positions in the firm's trading account to determine their effect on the firm's compliance with minimum capital requirements? (CFTC Regulation 1.18 and NFA Compliance Rule 2-10)
- Does the IB prepare monthly capital computations within 17 business days after the month end? (CFTC Regulation 1.18 and NFA Compliance Rule 2-10)
- Does the IB prepare required 1-FR or Focus statements including Supplementary Schedules and file them with NFA or the DSRO, and the CFTC, by the due dates? (CFTC Regulation 1.10 and NFA Compliance Rule 2-10)
- Has the IB submitted all subordinated loan agreements to the firm's DSRO for approval at least 10 days before the effective date? In addition, for IBs that are also registered as broker-dealers, is a copy of the firm's securities industry designated examining authority's approval filed with NFA? (CFTC Regulation 1.17 and NFA Compliance Rule 2-10)
- Does the IB retain financial and compliance records for five years? (CFTC Regulation 1.31 and NFA Compliance Rule 2-10)

Automatic Order Routing System (NFA Interpretive Notice ¶ 9046 and NFA Compliance Rules 2-4, 2-9 and 2-10)

For an IB that permits a customer to use an automated order routing system,

- Does the IB have written procedures to ensure that:
 - The order-routing process protects the integrity and confidentiality of orders and account information at all points during the process?
 - The delivery and reporting of customer orders is timely and efficient?
 - Customer complaints about order delivery and reporting are handled expeditiously?
 - The system monitors trading and imposes controls on trading activity for each customer in order to prevent the customer from entering into trades that create undue financial risks for the firm or its other customers?

- Does the IB disclose pertinent information about the Automatic Order Routing System, including, but not limited to the following? :
 - The time frame established for completion of transactions;
 - The time frame and process for informing customers of exceptions to normal processing of orders or requests;
 - Days and hours of operation;
 - Fees, commissions or costs associated with the transaction; and
 - Information to enable customers to file claims, ask questions, register complaints and obtain information on customer recourse.
- Does the IB establish security appropriate to protect internal systems from viruses and malicious code and to prevent unauthorized access?
- Does the IB monitor security procedures and updates due to technology changes?
- Does the IB identify and authenticate authorized users? Does the IB ensure that personally identifiable information is protected? This should include limiting access to systems and data only to authorized employees based upon their assigned roles and responsibilities, using encryption or other equivalent security procedure to protect the transmission of information, and preventing customers from accessing others' information.
- Does the IB have procedures to disclose to users any breaches or possible breaches to the system?
- Does the IB have procedures to monitor availability and capacity compared to the disclosed commitments and provide for expected future requirements?
- Does the IB document, authorize, test and approve proposed system changes before implementation to protect the availability of the system?
- Does the IB provide for backup, offsite storage, restoration and disaster recovery processes sufficient to achieve the disclosed availability commitments?
- Does the IB ensure policies are current with disclosed business practices, laws and regulations?

Security Futures Products (Rules and Resources and NFA Compliance Rule 2-37 and Interpretive Notices 9043, 9044, 9049 and 9050)

- Does the Member have a designated security futures principal at each main or branch office?
- Does the Member check the Central Registration Depository (CRD) for information on prospective employees who will be involved in security futures activities and obtain and review a copy of the individual's most recent Form 8-T or U5?
- Does the Member require APs to complete appropriate security futures products training modules?

- Does the Member ensure that the firm's written procedures address the following? :
 - Compliance with applicable securities laws, including Sections 9(a), 9(b), and 10(b) of the Securities Exchange Act of 1934.
 - The review and approval of customer accounts including:
 - Specific criteria and standards to be used in evaluating the suitability of a customer to engage in security futures transactions.
 - Specific procedures for approving accounts to engage in security futures transactions, including requiring written approval by a designated security futures principal.
 - A requirement that the designated security futures principal explain, in writing, why he or she has approved an account that does not meet the specific criteria and standards set forth in the procedures.
 - Specific financial requirements for initial approval and maintenance of customer accounts that engage in security futures transactions.
- Before entering into a guarantee agreement with an IB, does the Member check the Central Registration Depository (CRD) for any derogatory information on the IB, its principals and its employees who will be involved in security futures activities?
- Does the Member provide the risk disclosure statement required by Compliance Rule 2-30(b) prior to approving an account to trade security futures?
- Does the Member obtain the following additional information from customers before commencing trading? :
 - Identification that the customer account is speculative or hedge;
 - Employment status;
 - Estimated liquid net worth;
 - Marital status; and
 - Number of dependents.
- Does the Member require that the customer account record include the name of the Associate, how the customer account information was obtained and the date the required risk disclosure statement was provided?
- Does the Member ensure that on an annual basis, customers are provided with written notice regarding NFA's Background Affiliation Status Information Center (BASIC) at www.nfa.futures.org/basicnet?
- Does the Member notify NFA within 10 business days of any required reportable events?
- Does the Member submit a quarterly report to NFA regarding written customer complaints?
- Does the Member ensure that promotional material meets the following requirements? :
 - Prominently identifies the Member;

- Includes the date that the material was first used;
- Provides contact information for obtaining a copy of the disclosure statement for security futures products;
- States that security futures products are not suitable for all customers;
- Does not include any statement suggesting that security futures positions can be liquidated at any time;
- Does not include any cautionary statement, caveat, or disclaimer that is not legible, that attempts to disclaim responsibility for the content of the promotional material or the opinions expressed in the material, that is misleading, or that is otherwise inconsistent with the content of the material;
- Discloses the source of any statistical tables, charts, graphs or other illustrations from a source other than the Member, unless the source of the information is otherwise obvious;
- States that supporting documentation will be furnished upon request if it includes any claims, comparisons, recommendations, statistics or other technical data;
- If soliciting for a trading program that will be managed by an FCM or IB or Associate of an FCM or IB, it includes the cumulative performance history of the Member's customers or states that the trading program is unproven;
- Refers to past recommendations regarding security futures products, the underlying securities, or a derivative thereof only if it lists all similar recommendations made by the Member or Associate within the last year;
- Includes current recommendations regarding security futures products only if: (i) the Member has a reasonable basis for the recommendation; (ii) the material discloses all material conflicts of interest created by the Member's or Associate's activities in the underlying security; and (iii) the material contains contact information for obtaining a list of prior recommendations;
- Includes only a general description of the security futures products for which accounts, orders, trading authorization, or pool participations are being solicited; the name of the Member; and contact information for obtaining a copy of the current disclosure statement for security futures products; (unless the promotional material is accompanied or preceded by the disclosure statement for security futures products); and
- Has been submitted to NFA for review and approval at least ten days prior to first use if it reaches or is designed to reach a public audience through mass media.

Supplemental Questionnaire for CPOs

- Does the Member operate all of its pools as separate legal entities from the CPO? (CFTC Regulation 4.20(a)(1) and NFA Compliance Rule 2-13)
- Does the Member ensure that all funds, securities, or other property received by the CPO from an existing or prospective pool participant for an investment in a pool is received in the name of that pool? (CFTC Regulation 4.20(b) and NFA Compliance Rule 2-13)

Account Statements (CFTC Regulations 4.22 and NFA Compliance Rule 2-13)

- Does the Member distribute account statements to pool participants at least monthly within 30 days of month end for pools with net asset value of more than \$500,000 (or at least on a quarterly basis within 30 days of the quarter end for pools with net asset value less than \$500,000 or exempt pools under CFTC Regulation 4.7)? Does the account statement for the pool include:
 - Statement of Income and Loss itemizing: realized commodity trading gain or loss, change in unrealized gain or loss, other gains and losses, management fees, advisory fees, brokerage commissions, other fees and other expenses?
 - Statement of Changes in NAV itemizing: beginning NAV, additions, withdrawals, net income/loss, ending NAV, NAV per unit or individual's interest in the pool, and oath or affirmation manually signed by the proper individual?
 - An oath or affirmation that to the best of the knowledge and belief of the individual making the oath or affirmation, that the information contained in the oath or affirmation is accurate and complete and the name of the individual signing the oath or affirmation, the capacity in which he/she is signing, the name of the commodity pool operator for which he/she is signing and the name of the commodity pool for which the account statement is being distributed?
- Does the Member ensure that for pools comprised of more than one ownership class or series, the series or class on which the account statement is reporting is presented in addition to the information presented for the pool as a whole? (Except that, for a pool that is a series fund structured with a limitation on liability among the different series, the account statement is not required to include consolidated information for all series).
- Does the Member ensure that any material business dealings between the pool, the pool's operator, commodity trading advisor, futures commission merchant or their principals that has not previously disclosed in the disclosure document are disclosed in the account statement?

Financial (CFTC Regulation 4.22, 4.23, 4.27 and NFA Compliance Rule 2-13)

- Does the Member retain an independent certified public accountant to do a certified audit of each pool operated during the past fiscal year, including those pools which have permanently ceased trading?

- Does the Member distribute copies of the certified reports to NFA and to each of the participants within 90 days of the fiscal year-end or within 90 days of when the pool funds were returned to participants?
- Does the certified audit for each pool include the following information for the preceding two year-ends: NAV of the pool, NAV per outstanding participation unit in the pool or total value of the participant's interest or share in the pool, statement of financial condition, statement of operations, changes in net assets, appropriate footnote disclosure, and such further material information as may be necessary to ensure that the required statements are not misleading?
- Does the Member maintain the following documents for each pool: cash receipts and disbursements journal; security purchases and sales journal; adjusting journal entries; subsidiary ledger for each participant, including name, address, dates of deposits, withdrawals, etc., amount of deposits and withdrawals, etc., gains/losses accruing to participant, participant equity calculated on a quarterly/monthly basis, and the number of units owned; general ledger; copies of statements from any entity holding pool assets; copies of statements received from carrying brokers; bank statements and cancelled checks; dated copies of all reports and letters; balance sheets; income statements; account statements; and signed and dated acknowledgments of receipt of the disclosure document?
- Does the Member use NFA's EasyFile to report on a quarterly basis with NFA or the CFTC specific information about the firm and the pools that it operates? These quarterly reports are due within 60 days after the end of the quarters ending March 31, June 30 and September 30. Reports for the quarter ending December 31 are due within 90 days of the calendar year-end for Small CPOs (less than \$150 million in assets under management (AUM)) or Mid-size CPOs (greater than \$150 million but less than \$1.5 billion in AUM) and within 60 days for Large CPOs (greater than \$1.5 billion in AUM). All Pool Quarterly Reports (PQR) must be filed electronically using NFA's EasyFile system regardless of whether the PQR is being filed to fulfill NFA or CFTC requirements. The content of the quarterly PQR filing will depend upon the CPO's highest AUM during the reporting period. All CPOs are required to file a quarterly report even if the CPO has not operated during the reporting period. CPOs that file a Form PF with the SEC will continue to be required to file a PQR with NFA for quarters ending March 31, June 30 and September 30 and with the CFTC for the quarter ending December 31.

Disclosure Document (CFTC Regulations 4.21, 4.24, 4.25 and 4.26, NFA Compliance Rules 2-13, 2-34, 2-35 and 2-45 and NFA Interpretive Notices ¶ 9006, ¶ 9023, ¶ 9034, and ¶ 9035)

- Does the Member's disclosure document comply with NFA Rules and CFTC Regulations?
- Does the Member file the disclosure document and any amendments with NFA electronically at least 21 calendar days prior to the date it first intends to solicit clients with the document?
- Does the Member file amendments or a new disclosure document when the existing document becomes materially incomplete or inaccurate?
- Does the Member provide prospective pool participants with a disclosure document, including any existing amendments, which is dated no more than nine months prior to the date of delivery before accepting funds from the participant?
- Does the Member provide existing pool participants with all amendments to the disclosure document?
- Does the Member maintain signed and dated acknowledgments of receipt of disclosure documents from each pool participant?
- Does the Member calculate fees in accordance with the method described in the disclosure document?
- Does the Member ensure that the pool does not make a direct or indirect loan or advance of pool assets to the Member or any other affiliated person or entity?

Security Futures Products (Rules and Resources and NFA Compliance Rule 2-37 and Interpretive Notices 9043, 9044, 9049 and 9050)

- Does the Member check the Central Registration Depository (CRD) for information on prospective employees who will be involved in security futures activities and obtain and review a copy of the individual's most recent Form 8-T or U5?
- Does the Member require APs to complete appropriate security futures products training modules?

Supplemental Questionnaire for CTAs

Disclosure Document (CFTC Regulations 4.31, 4.34, 4.35 and 4.36, NFA Compliance Rules 2-13, 2-34 and 2-35, and NFA Interpretive Notices ¶ 9006, ¶ 9023, ¶ 9034, and ¶ 9035)

- Does the Member's disclosure document comply with NFA Rules and CFTC Regulations?
- Does the Member file the disclosure document and any amendments with NFA electronically at least 21 calendar days prior to the date it first intends to solicit clients with the document?
- Does the Member file amendments or a new disclosure document when the existing document becomes materially incomplete or inaccurate?
- Does the Member provide prospective clients with a disclosure document, including any existing amendments, which is dated no more than nine months prior to the date of delivery?
- Does the Member provide existing clients with all amendments to the disclosure document?
- Does the Member maintain signed and dated acknowledgments of receipt of disclosure documents from each client?
- Does the Member calculate fees in accordance with the disclosure document?
- If the Member collects fees directly from clients instead of from the carrying broker, is that amount reflected in the performance record supporting worksheets as an addition and as a debit to net performance?

Bunched Orders (CFTC Regulation 1.35(a-1)(5)(iii)(B)-(C), NFA Compliance Rule 2-10 and NFA Interpretive Notice ¶ 9029)

- Does the Member maintain specific allocation procedures that are fair and equitable so that no account or group of accounts receives consistently favorable or unfavorable treatment?
- Does the Member ensure that all customer accounts have the correct allocation of contracts on each trade?
- Does the Member analyze each trading program at least once a quarter to ensure the allocation method has been fair and equitable? Does the Member maintain records of the review and any deficiencies that are discovered through the review?

Post-Execution Allocation of Bunched Orders (CFTC Regulation 1.35(a-1)(5)(ii), NFA Compliance Rule 2-10 and NFA Interpretive Notice ¶ 9029)

- Does the Member make the following information available to customers upon request? :
(1) the general nature of the allocation methodology; (2) a summary of composite data sufficient for a customer to compare his results with those of other relevant customers

and any account in which the account manager has an interest; and (3) an indication whether any account in which the account manager has an interest can be included with customer accounts in bunched orders. Prior to the end of the trading day, does the Member provide the clearing FCM with information concerning the number of contracts to be allocated to each account included in the bunched order along with instructions for the allocation of split and partial fills among accounts?

- If fill prices are allocated by an FCM, does the Member maintain a written agreement with the FCM that clearly describes that the FCM is responsible for the allocation?

Security Futures Products (Rules and Resources and NFA Compliance Rule 2-37 and Interpretive Notices 9043, 9044, 9049 and 9050)

- Does the Member check the Central Registration Depository (CRD) for information on prospective employees who will be involved in security futures activities and obtain and review a copy of the individual's most recent Form 8-T or U5?
- Does the Member require APs to complete appropriate security futures products training modules?

Sources of Additional Information

Your attorney and accountant

American Institute of Certified Public Accountants

1211 Avenue of the Americas
New York, NY 10036
(212) 596-6200
www.aicpa.org

Commodity Futures Trading Commission

Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581
(202) 418-5000
www.cftc.gov

Futures Industry Association/Institute for Financial Markets

2001 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20006
(202) 466-5460
(202) 223-1528
www.futuresindustry.org
www.theifm.org

Managed Funds Association

2025 M Street, N.W., Suite 800
Washington D.C. 20036-3309
(202) 367-1140
www.mfainfo.org

Financial Industry Regulatory Authority

9509 Key West Avenue
Rockville, MD 20850
(301) 590-6500
www.finra.org

National Introducing Brokers Association

c/o Melinda Schramm
55 West Monroe Street, Suite 3330
Chicago, IL 60603
(312) 977-0598
www.theniba.com

National Futures Association

300 South Riverside Plaza, Suite 1800
Chicago, IL 60606-6615
(312) 781-1410
www.nfa.futures.org

U.S. Securities and Exchange Commission

450 Fifth Street, N.W.
Washington, D.C. 20549
(202) 942-7040
www.sec.gov