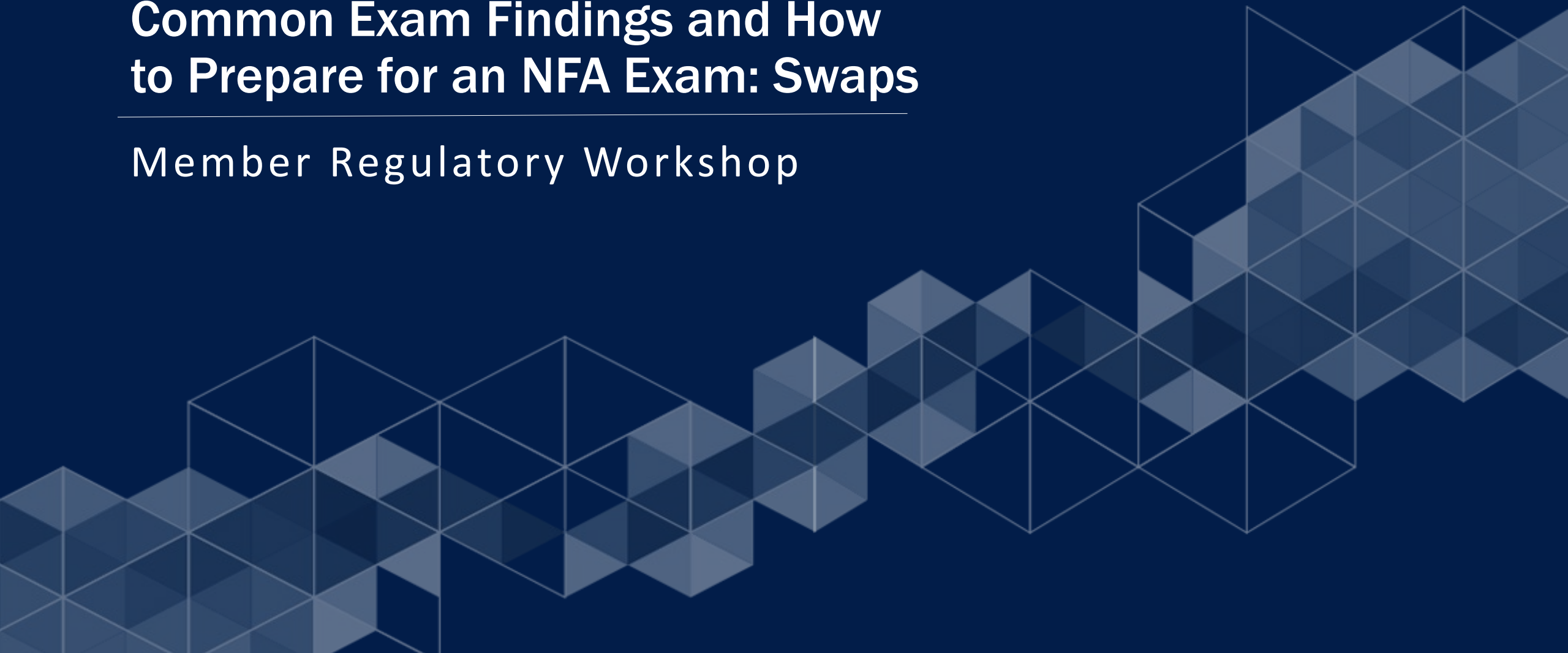


# Common Exam Findings and How to Prepare for an NFA Exam: Swaps

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Member Regulatory Workshop





# Topic Discussions



- Business conduct standards – trade surveillance
- Swap data reporting
- Use of marketing materials
- How to prepare for an NFA exam





## Business conduct standards

- General provisions
- Trade surveillance
- Prohibition against fraud, manipulation, and abusive trading practices

## Exam findings

- Products excluded from surveillance
- Ineffective approach to covering trade population
- Trade surveillance alerts not reviewed timely
- Insufficient documentation supporting outcome of trade surveillance alert
- Written policies and procedures not followed or not updated to reflect current practices

## Good practices

- Consider advances in surveillance technology
- Robust due diligence when using vendor systems or new technology
- Staff reviewing trade alerts have subject matter expertise
- Independent trade surveillance function

# Swap Data Reporting



- CFTC §45.14 – verification of swap data accuracy and correcting errors
- Requires reconciliation of open swap positions on books and records to SDR every 30 days, if not remediated within seven days is reported to DMO

# Swap Data Verification



## Exam findings and observations

- Late implementation of rule requirements
- All trade data fields not reconciled
- Notifications to DMO not provided or not provided timely



# Swap Data Reporting



## Good practices

- Pay more attention to non-vanilla products
- Include valuations in testing
- Proper due diligence around implementation of system changes
- Review timeliness of trades that are executed via voice or chat and then booked manually







## NFA's Interpretive Notice 9077

- Written supervisory program governing use of marketing material
- Review and approval of marketing materials
- Training of employees
- Recordkeeping



# Marketing Materials



## Exam findings

- Written P&P missing elements of the Interpretive Notice
- No records of review and approval of marketing material
- Training not provided to individuals prior to the creating, reviewing and approving materials
- Copies of marketing materials not maintained

