

CPO Internal Controls Webinar
April 11, 2019
11:00 AM CT

Christie Hillsman: Good morning, everyone. Welcome to NFA's webinar, CPO Internal Controls. My name is Christie Hillsman, and I'm a Communications Manager at NFA. And with me today are Patty Cushing, Director of Compliance, and Ryan Ahlfeld, Manager II, Examinations, Compliance.

As you know, NFA recently adopted a new Interpretive Notice titled CPO Internal Controls. The Interpretive Notice requires all CPO Members to implement an internal controls framework designed to protect customer funds, provide reasonable assurance that the books and records of a CPO's commodity pools are accurate and reliable, and that the CPO is in compliance with all CFTC and NFA requirements. The Interpretive Notice became effective on April 1, 2019.

During this webinar we will discuss the requirements established in the Interpretive Notice. Following our prepared remarks, as well as throughout the webinar as appropriate, we've allocated ample time to answer any Member questions that might be submitted. To ask a question, locate the box labeled "Ask a Question" on the left side of your webinar screen. Please type the question you would like to ask into the box and click the "Send" button. We are able to see your questions as they are submitted. Please feel free to submit your questions now or at any time during today's webinar. For questions that are firm specific, note that we will reach out to you individually following the webinar.

Additionally, a recording of this webinar along with a written transcript will be on NFA's website in the coming weeks, so no need to take detailed notes throughout this presentation.

The Interpretive Notice was also discussed at NFA's February Member workshops. Workshop materials, including a full audio recording of the New York workshop, are available on NFA's website as well.

And now I'll turn it over to Patty to provide more information on the new Interpretive Notice.

Patricia Cushing: Thanks, Christie. So I thought I would start with a—sorry—I don't know how to move the slides, so if we could do that. Thank you. So I thought I would start with a background as to why NFA's Board of Directors passed this Interpretive Notice. And as you know, all NFA Members have a duty to supervise their commodity interest business. And at a CPO, that supervision includes the safekeeping of pool participant funds. A CPO needs to protect against the mishandling and fraudulent activity of those funds by employees, management, and third parties. Effective internal controls actually will minimize the opportunities for mishandling and fraud to occur.

In drafting the Interpretive Notice, we received input from the CPO Members on our Board of Directors. We also got input from the CPO/CTA Advisory Committee, other Member CPOs, and various industry groups such as MFA, ICI, and IAA. And as Christie said from the start, the Interpretive Notice requires CPO Members to implement an internal controls framework to protect customer funds and help the CPO to maintain accurate financial records relating to its pools.

It's very important for all of us to remember throughout this process and through today's webinar that firms' controls will vary depending on the size and complexity of their operations. The suggestions outlined in the Notice and discussed today are common practices that have been implemented at a variety of CPOs. However, a one-man operation or smaller firm simply cannot put in place some of the more involved controls that can be used at a larger firm.

So let's start outlining in more detail what is required by the Notice. First, the CPO needs to have written policies and procedures to ensure compliance with NFA's rules and CFTC's regulations. Specific to this Notice, those procedures must fully explain the CPO's internal controls framework. Additionally, the procedures must outline an escalation policy instructing employees how to report any suspicions of an improper override of the firm's controls.

I also wanted to point out that you don't have to have standalone procedures that address these internal controls. You can capitalize on things that you might already have in place or that you have provided to another regulator.

The Notice also requires that the CPO perform a risk assessment to identify the firm's most critical risks relating to the mishandling or fraudulent activity of pool participant funds. While each CPO may have a risk that is unique to them, we believe that all CPOs have these three areas of risk: risks related to transactions regarding participant subscriptions and redemptions; disbursements and transfers of pool funds between pool accounts; and the investment of pool funds.

The Interpretive Notice does indicate that you need to design and implement controls to address those identified risks. You also need to monitor the effectiveness of those controls, and you would adjust your controls as necessary.

Last month we updated NFA's Self-Examination Questionnaire to include questions about these new requirements in the CPO Supplemental Questionnaire. The new section has some detailed questions for each of the risk areas I just discussed. If you've not yet updated your written procedures to include a description of your internal controls, then answering the questions in this update can help you get them documented.

The rest of our time today will be spent on sample internal controls that a CPO can implement to address its identified risks and how NFA examination teams will be looking at your controls. On an exam, the team will be obtaining an understanding of the firm's internal controls, evaluating the design effectiveness of the controls, and testing the implementation of the control. After completing these three steps, the team will adjust their examination scope based on this evaluation. What that means is that a lack of a control is not in and of itself a violation. If that lack of control causes material errors or other serious violations such as fraud, a loss of funds, mismanagement, material net asset value restatements, then that could be a violation that would be reported on in your examination.

So now I'd like to turn things over to Ryan, who can dive deeper into the exams and into the controls.

Ryan Ahlfeld:

Thanks, Patty. As Patty mentioned, the first thing that NFA exam teams need to do is gain an understanding of the CPO's control environment. And to do that, NFA has created a CPO Internal Control Questionnaire. So when we go to announce the exam of a

CPO, at that point we will send the Questionnaire to the firm and then ask for a response before we actually start our exam, before we arrive in the field. So this Questionnaire is separate from the section, the updated section in the Self-Exam Questionnaire. This is a totally different Questionnaire that will be used during examinations.

So getting into a little bit more about the Questionnaire, it is, as Patty mentioned, absolutely acceptable to refer to existing written procedures. And as you'll notice, procedures with an "s." So we understand that you're not going to have one policy that's going to go over all your internal controls; rather, internal controls may be written down in a variety of policies at your firm.

Patty also mentioned if you've already been examined by another regulator and they asked you to provide responses to a questionnaire, it is absolutely acceptable for you to refer to that other questionnaire. Many times CPAs, during the year-end audits of your funds, will have some type of questionnaire that you'll respond to. That can also be referred to when addressing NFA's Internal Control Questionnaire. We do ask that if you are referring to other documents like other policies and procedures, that you do give us specific sections or page numbers when you're doing that.

So now that we've announced the exam, we've gotten the Questionnaire back from you, we are starting to now gain an understanding of the CPO's control environment, the next thing we have to do is to determine whether or not the controls are designed effectively.

So the first thing we'll do is, number one, we'll look at did the firm do a risk assessment? Have they identified risks, and have they also then linked specific controls to those identified risks?

The next is consistent performance of the control. Do they have processes in place to ensure that controls happen on a consistent basis?

Third, the people. So people are key to any control environment. Are the right people in place? Do they have the proper experience and education to perform those controls? And do they have the right authority within your organization?

And then lastly, does the firm have criteria for follow-ups? So in instances where there's controls that are maybe not up to par or not existing or not working, does the firm have a procedure in place so management can address those issues?

Okay, so now we've gotten an understanding of the firm's controls through the Questionnaire. We've assessed whether or not those controls are designed effectively. Now we have to test implementation. So one of the first things we'll do is we'll want to talk to the people who are actually performing those controls. So not necessarily the head of certain groups or the Chief Compliance Officer, but actually the people that are performing those controls on a day-to-day basis.

Next we'll want to observe those controls live, so in-action to the extent possible. So as we're in the field, if journal entries are being done, if expenses are being paid, we'll want to walk through that kind of live process and witness those controls at your firm. To the extent that's not possible, and we understand that they at times won't be, we may ask personnel to walk us through maybe the most recent transaction or control and walk us through that process.

And then lastly, we'll obviously want to inspect documents—documents, files, screens—that your people are looking at when performing the controls.

Okay, so now we can get into some questions. So we're going to start with—so these are sample questions that we took from our Internal Control Questionnaire. We're going to focus on participant redemptions for a while and go over some questions there.

So the first question, sample question we have, "As to disbursements to participants, describe the CPO's processes and controls for (1) verifying that requests are coming from the actual participant; (2) verification that the funds are actually available; and (3) lastly, ensuring that the proper amount is released to the pool participant.

So we have the question, and here's a sample response. And just to be clear before I get into the response, obviously, there will be varying answers based on your individual firm's situation and processes. So these answers aren't meant to be all-inclusive or exhaustive. It's simply a sample of what we might see as a response. What we do expect, obviously, is your response to be accurate based on what happens at your firm and what's included in your overall control framework.

So the first item—question—was about participant—identifying the participant, so verifying that the actual participant making the redemption request is that person. So an answer might be requests for redemptions can only be done in writing with an approved redemption form that requires certain identifying information and an approved signature; check subscription documents to make sure they match that identifying information.

The next item was verifying that the funds are actually available, so a review of your participant subsidiary ledger to ensure that the necessary participant NAV is available to distribute.

The next one was verifying that the proper amount is sent, so approve amount of redemption proceeds being sent matches the actual request on the redemption form.

And then also ensuring that the account funds are being sent to an account that is actually the participant's bank account.

And then through all of this, one of the things you'll see in our Interpretive Notice is separation of duties. So for instance, you'll want to describe kind of the separation of duties that are involved within all of these processes.

Patricia Cushing:

So Ryan, I'm going to jump in here because we're getting some questions on this, and it's a good time to talk about it as well, is that many CPOs use administrators. And so some of these things, you don't actually handle customer funds, and/or they do a portion of this. And so I'm going to put up this next slide that kind of talks about there are duties and roles that may be shared with the administrator pursuant to your service agreement between the CPO and the administrator. And so the Interpretive Notice goes through some controls that you should have in place over supervising your administrator.

So first would be to do an initial due diligence of that admin, looking at things like reputation. Do they have the expertise for what you need? How responsive are they to requests? Will they help you during an examination? Things like that should be considered. How is their accuracy, things like that.

Then you want to also have ongoing supervision of the admin. So, for example, you would want to be sure that they've had some sort of test of controls and get evidence of that. You might also want to maintain shadow books and reconcile those with the administrator's books.

And finally, not everybody can do shadow books, but you should do some sort of check of that admin packet that you receive from them, so whether or not it's your own reconciliations that you perform, trade reconciliations, bank reconciliations and then compare those to the admin, or just overall what kind of supervision do you do over those financial statements that come from the administrator?

So the fact that you use an administrator will impact those responses to this Questionnaire that you've received as part of the examination. You're not expected to explain the controls at the administrator. If a question in the Questionnaire is a function handled by the admin, then just state that in your response. What you do want to do is talk about any controls that you have in place—again, over your administrator—but also maybe you have some things in this process that you complete before you send the information on to the admin. And then again, at month end, some controls you have in place to check that work after you've received the information back from the admin. So that is the type of things that you would expect to see in the Questionnaire.

So let's go through this answer that the same question that Ryan just talked about on redemptions and how it might look when you have an administrator.

So with respect to participant verification, again, that might be something that if the request comes in to you as the CPO, that you would go ahead and check and do that approval to be sure that it is, in fact, the same. Then you might record that request and the transfer information—I'm sorry—you would record that request in your own records and then transfer that information to the administrator.

Then we had the question about verifying funds are available. Well, that's handled by the admin. Verifying the proper amount is sent—that might be handled by the admin. But then at end of month, you might reconcile the redemptions made by the administrator to the firm's record that you had prepared. So that's kind of how we see administrators in this process. And again, you don't have to explain to us the admin's controls—just any controls you yourself have.

Ryan Ahlfeld:

Thanks, Patty. So with that, I'm going to continue and go over some other sample questions from the Questionnaire. The next one would be, "Describe the CPO's processes and controls for initiating and approving the disbursement of funds from accounts with the pool's third-party banks, custodians, or brokers."

So a sample response might be separation of duties exist between initiating and approving the release of funds. So kind of like, again, building block of an internal control framework is that separation of duties, especially when it comes to sending customer funds out of pools. Only a specific bank account can be used, so you might have a system control where only a specific bank account can be used for redemptions, and also only certain people at your CPO would have access to perform certain tasks. So think access to systems, log-in credentials, passwords, things of that nature.

And then notification of communication, or notification and communication between different groups, so back office having to communicate to accounting, having to

communicate to portfolio management. That communication process itself is a good internal control.

Okay, so another sample question we have is around rejecting redemption requests. So, "What are the criteria for rejecting a request for a disbursement of funds to a participant? Have there been any rejections of a disbursement in the prior 2 years? If yes, describe."

So a sample response might be the proper redemption form wasn't used. So the CPO might have a policy that there's a specific form that needs to be provided if they're going to issue any redemption, and that form wasn't used. Or the form was used, but the form's incomplete or it has varying information. So therefore, the CPO can't actually verify the requestor's identity. In that case, it might be a time when you'd reject that disbursement. Another could be if the signature on the redemption form is different than what's already been approved during the subscription process. And then lastly, let's say the CPO may have a process that, when an investor subscribes to their fund, they have an approved account set up, where it gets approved, and that's essentially the only account where the CPO will send redemptions to. So that could be also a control process here.

So I've talked a bit about transaction-level controls and actual money movement. And now Patty's going to talk a little bit more about the accounting and reporting functions at the CPO.

Patricia Cushing:

Great, thanks, Ryan. So here we have the sample question regarding financial reporting of those redemptions that we talked about. So, "Describe the CPO's controls surrounding redemptions, including verifying the redemption was sent from the pool's bank, then that the transaction was actually recorded in the general ledger and the participant subsidiary ledger, that there was a reconciliation, and the documentation that was reviewed and prepared as part of this process."

So when responding to that question, here are some sample controls and responses. So again, separation of duties is very important, and that that exists whenever possible in the back office, so different personnel would send funds from the person that actually records the transaction in the general ledger, as well as a different person would perform the reconciliation.

Now in our example, the staff accountant enters the journal entries into the GL system, which automatically affects the participant's subsidiary ledger. It could also be vice versa. It might get reported in the participant ledger and then flows through automatically to the GL system. Then you would maybe have a supervisor who is reviewing and approving that daily. Accounting personnel would also prepare the monthly financial reports and have reconciliations for the pool. And an important control is at month end, that the CFO or some other person who's duly authorized to bind the pool operator would have a review process of that financial package before the account statements got sent to the pool participants, and he or she signed their oath and affirmation.

Another sample Questionnaire item is at the end of each section—so we're talking about the redemptions at this point in time, but we're going to get into the other risk areas, all of them—at the beginning Ryan talked about how part of the exam process is to evaluate the control effectiveness, and that looking at the firm personnel who are actually performing the control is a key part of making that assessment. And so each section of the Questionnaire is going to ask you to identify the exact personnel who are executing these controls and what their background is so that we can talk through that with you and

understand whether or not that person has the appropriate authority and the knowledge to perform the control.

So this is going to finish the section on controls relating to participant redemptions, and now Ryan's going to move into the other risk areas.

Ryan Ahlfeld:

Thank you, Patty. So yes, moving on from—oops, let me back up here. Moving on from pool redemptions, now we're going to talk a little bit about pool expenses, so similar—both disbursements from a pool. But as Patty mentioned, kind of with the asking about, like, background information about personnel for each section, it's going to have something like that. Well, also, each section is going to have questions about what documents and screens and systems are reviewed by people when they're executing the controls.

So for pool expenses, if we have a question about identifying the internal and external documentation reviewed while executing the controls, a sample response might be invoices for pool expenses, an allowable expense listing that's derived from offering documents, pool bank accounts, general ledger system reports, subsidiary ledger system, reconciliations, all examples of, again, documents that you are going to review when you're reviewing the controls and executing your controls over pool expenses.

Here's a sample question, so the first one being, "Identify the internal control process for verifying that the disbursement is allowable pursuant to the pool's offering documents and does not violate NFA Compliance Rule 2-45," which is the prohibition from the pool lending money or advancing money to the CPO or its affiliates.

So a sample response might be, so how do we ensure that the disbursement was allowable? Back office personnel receive an invoice and approve as an allowable expense. The allowable expense list is referenced. Invoice is then sent to accounting to ensure the amount is correct and that the amount or expense actually exists. After accounting approves, a separate back office personnel does the—initiates payment and approves the payment. So those are some examples.

So we've talked a bit about controls around disbursements, and we talked in the beginning when the webinar started, the Interpretive Notice has specific risk areas, so disbursements, redemptions, transfers. Another key risk area identified is risk management, investments, and valuation. So there's going to be questions in the Questionnaire relating to control processes around the due diligence on counterparties and depositories. There's control questions around the ongoing monitoring of market risk, concentration risk, counterparty credit risk, the volatility and market stress on the liquidity of a pool. So again, it will be, "Describe your control processes around those different risk areas."

We also need to have a control in place to verify that the investments in your funds are consistent with the disclosed strategy to your investors. "What processes in place do you have? What controls in place do you have to ensure that that's happening?"

And then lastly, a CPO's valuation policy. "How do you ensure that investments in your funds are valued in accordance with your own valuation policy?"

So far we've talked a lot about what we would call transaction-level controls, and now Patty's going to discuss more about entity-level controls, or kind of this macro controls that are required in any strong control environment.

Patricia Cushing:

Okay, great, thank you. So the Interpretive Notice talks a lot about these control activities that Ryan and I have gone through for the various risk areas, but these controls cannot work in a vacuum. You have to have a strong overall internal control framework at your firm, and so these things that we call basically entity-level controls. And so there are a handful of questions in the Questionnaire that are going to dive into these areas which are entity-level controls, so your overall control environment. For example, that's your tone at the top, or I'm sure you've heard the term, "your culture of compliance." So there's questions around that.

There's also a question about your CPO risk assessment process. So, "How did you determine what other risks you had for fraud or mishandling of funds? How do you monitor the effectiveness of your controls?" And then finally, "What sort of communication processes do you have in place to get information out to your staff, make sure it's clear what their roles and responsibilities are?" And information is what information is used to actually perform the control as well as the systems or automated controls that you might have in place. So when we're talking about information, that of course includes what sort of IT security you have, which is again, you already have your information system security program in place that you've had for a couple of years now to comply with our Cybersecurity Notice.

So all of those types of things are more big-picture, and there's a handful of questions in the Questionnaire that will ask about those. So here's a couple of examples.

For the control environment, we're going to ask the question about, "Provide an overview of the CPO's commitment to integrity and ethical values." And this is the whole question here, even these bullets. And these bullets are things that might help you respond to that bigger question. So for example, here you might provide us with your standards and policies for recruiting and hiring. You might also tell us about your standards of conduct and how they're established and communicated to your employees. So those are the types of control environment things that we would be looking for.

Then we get into monitoring. "Describe how the CPO monitors and evaluates the effectiveness of its internal controls." So here again, these bullets are things that might be responsive to that. "Tell us about what sort of evaluations you might have built into your business process and performed on a real-time basis."

So let's say you have an automated control in place, where your system will not allow something to move to the next person without some sort of review and approval. If that control stops working, if the automated control has a glitch, is there some sort of monitoring, some sort of red flag that comes out that says, "Hey, this isn't working"? That would be an ongoing evaluation.

Or there could be periodic evaluations after the fact, where you come in and do a review of your controls. "Did we actually perform these controls?" So you want to do that and tell us about the process that you have in place for determining how often you do these reviews, what areas you're going to review. And finally, if you have weaknesses that you find in your monitoring, how do you track those and how do you remediate those on a

timely basis? So those are some of the examples of those entity-level controls that we have.

We just wanted to wrap up here with a few overall reminders. So controls will vary depending on the size and complexity of the CPO's operations. We just can't stress that enough. We've heard, when we did our workshops, we've heard a lot of questions from one-man operations. "I can't have separation of duties." We get that. What can you consider putting in place with respect to automated controls, maybe with your bank so that you can at least help decrease the opportunity for making a mistake when you do a transfer, like maybe you can only transfer up to a certain amount, or it can only go to certain accounts--things of that nature. So we do understand that the size of your firm and the complexity will make a big difference.

We've got a lot of questions here from people who are using administrators or who are ETFs and have authorized purchasers. Again, the conversation there is this Interpretive Notice does apply to you, but if you're using third-party transfer agents and administrators, that's where your controls should be—over, again, what sort of due diligence do you do over them before you hire them? What sort of ongoing thing? Yes, a SOC 1. That was another one of the questions. A SOC 1 is an acceptable way to get evidence that they are testing their controls. So what kind of ongoing supervision. And then again, if you have anything in place to supervise or that you do on your end before information gets sent to the admin, those are the controls that we're interested in learning more about.

NFA has an educational approach. This is a brand-new requirement that we're putting in. Yes, most of you have some sort of controls already in place, and this is just an approach to kind of standardize it, make sure everybody has controls, and allow us to take a look at them on exams. So it is not our intention to come in and cite you for having an internal control weakness. As I mentioned earlier, if we see a weakness, it will help us decide where we're going to focus our exam testing. And then if we have actual misstatements or mishandling of funds, that's the violation, not an internal control weakness at this point. So it is very much an educational approach. If we see things that can be improved, we're just going to bring them to your attention and work with you to get them done.

As Ryan mentioned, do not reinvent the wheel. If the description of controls exists in other internal document or responses to other regulators to your CPOs, please just provide those to us. And when you're responding to the Questionnaire, tell me it's on page 5 of your treasury procedures, and we will find it. So those are just some quick reminders, and we are ready to answer questions. So Ryan, do you have one to start that you wanted to jump in on?

Ryan Ahlfeld:

Yes, thanks, Patty. Although I think you covered many of them in your conclusion here, but we do have one. The question is, "What do you mean by concentration risk and individual participant's investment in a pool?" So what we mean by concentration risk is from the pool's standpoint, how concentrated are they with their counterparties? So how many counterparties do they use? How many prime brokers does the pool use? Things of that nature. That's what we mean by concentration risk. Hopefully, that's clear.

I have one more that I saw here. This is a pretty easy one. So the question was, "Has the new CPO internal controls questionnaire been implemented in routine exams?" And the answer is yes, it has as of April 1.

Patricia Cushing: Okay. There's, for financial reporting, "Is the separation of duties between a CPO and the firm administrator sufficient, or do we need further separation within the CPO in addition to the firm administrator?" Again, having an administrator is a great separation of duties, because you're doing something and a completely different entity is doing something else. But it really depends on what that admin is doing. And Ryan and I sitting here can think of easily 50 different arrangements that firms have with their admin and the level of services that the admin can provide. So it's not easy for us to say it's an all-or-nothing thing. You really have to look at if there is a complete separation. Obviously, if you approve the verification of things and they send out the funds and record the funds, and then you just come back and do another check of it, that's probably sufficient. But if there's more involved on your end, then you would want to be sure you have more separation amongst your own personnel.

Do you see any others, Ryan, that we have missed? "For a small CPO with just one owner-operator and a use of an administrator, how detailed does the language need to be relating to internal controls?" Just describe what you can. It's, again, an educational approach. We don't need some huge thing to tell us exactly what it is. But if you read through the questions in the Questionnaire and they don't make sense and you're having an exam, you'll want to talk to your examiners about—you know, provide them a sample, and they can give you some guidance on that.

If you look in your Self-Examination Questionnaire right now and the questions that are there and address those to the best of your ability—again, don't get overly prescriptive, especially if you have fairly simple operations—but you'll be a long way towards complying with that Interpretive Notice.

Ryan Ahlfeld: All right, Patty. I think I can jump in here. There's a question about, "Is clearing through a single FCM a violation of the concentration limit?" So no. So number one, NFA doesn't have a concentration limit requirement. Two, the firm itself would have their own policy and procedure around concentration limits. But no, that would not be a violation. If there's a small pool that clears through a single FCM, again, the answer is no. That wouldn't be a violation.

Patricia Cushing: We have a question, "Do you recommend a summary internal control system policy?" Oh, I just lost it. And because you're a registered RIA, I am guessing that you already have something in place that you have to file with the SEC. At least I've heard this from other Registered Investment Advisors. So chances are that everything you need is already in that. And as we mentioned, if we announce an exam and send you this request for information so that we can obtain an understanding of your internal control process, if you could just go through and kind of point us in the right direction as to where we might find this in your existing documentation, that would be sufficient for us.

What is our expectation of evidence for monitoring controls? We just want to see that—first of all, we would like to see that the controls were performed to begin with, so you would expect to see some documentation along the way that the actual control happened. So I am responsible for doing the reconciliation with the bank account, but I actually have a reconciliation that can be reviewed, but then the monitoring aspect of this would just be perhaps, "This quarter we chose to review that reconciliations were happening, and we reviewed," and just tell us which months you reviewed and who did it, and, "We had deficiencies," or, "We didn't," would be sufficient for us. We don't need—we're not very prescriptive as to exactly what it is we do need, but just whatever makes the most sense for you. We do need to see that the monitoring is happening.

"The requirement to escalate a matter to the NFA or appropriate regulator. Is that a firm requirement, or can there be discretion in terms of how we set up our policy?" And actually, the escalation policy is escalating within your own company. So for example, I am a staff accountant in this area, and I have seen that my supervisor has instructed me or maybe one of my colleagues to circumvent a control that we have in place. You need to have a policy where that staff accountant can jump that supervisor and go to senior management or a compliance officer or someone to report that what appeared to them to be an improper override of your controls.

Now, if the override of controls has happened by the very top level, again, if you're at a large company, then if you have a Board of Directors, there should be some sort of hot line or something, a whistle-blower type facility that you might have in place so that junior staff can report this without having to go straight to the person who is actually making the override. So that's really what we mean, is an escalation policy within your own organization.

Ryan Ahlfeld:

We have another question relating to admins. So the question is, "You mentioned that you want to see live transactions in place during the examination. Will NFA want to go to the admin's office to see those controls in place?" Absolutely not. So NFA's not going to—again, if the control is at the admin level, we would expect that the Questionnaire is going to exactly say that. But in no way is NFA reviewing work done by a third-party administrator.

Yes, there's another question about drawing—let's see, "Can we draw a parallel with SOX 404 similar to applicable to SEC-listed companies? Can we draw a parallel between SOX and the requirements in your Notice?" I think so. I think, again, to the extent you've had to follow SOX and have controls in place, Questionnaires in place, absolutely you can rely on that as a response to NFA's CPO Questionnaire.

Christie Hillsman:

Great. Thanks, Ryan. With that, I'd like to thank everyone who's joined us today. We hope that you found the information we've provided to be helpful, and I'd like to thank Patty and Ryan for joining us as well. I think they did a great job of explaining some of the background and details of this new Interpretive Notice.

I do want to note that if you submitted a firm-specific question, we will get back to you via email after this webinar. And then additionally to reiterate, I just want to remind everybody that you will be able to access both a recording and a transcript of today's webinar on NFA's website, likely by the end of this month. So stay tuned for that. You can feel free to reference that at any time if you'd like a refresher on what we covered today.

And finally, I'd like to point out that we have contact information for both Patty and Ryan on the screen right now. So if you have additional questions that you'd like to reach out about directly, you can feel free to do that as well.

Again, thanks for participating in today's webinar, and hope you have a great day.