

December 5, 2013

**Via Federal Express**

Ms. Melissa D. Jurgens  
Secretary  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

Re: National Futures Association: FCM and FDM Risk Management Reporting Requirements - Proposed Amendments to NFA Financial Requirements Section 8 Regarding Information Requests \*

Dear Ms. Jurgens:

Pursuant to Section 17(j) of the Commodity Exchange Act, as amended, National Futures Association (“NFA”) hereby submits to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the proposed amendments to NFA Financial Requirements Section 8 regarding information requests. NFA’s Board of Directors (“Board”) approved the proposal on November 21, 2013.

NFA is invoking the “ten-day” provision of Section 17(j) of the Commodity Exchange Act (“CEA”) and will make these proposals effective ten days after receipt of this submission by the Commission unless the Commission notifies NFA that the Commission has determined to review the proposals for approval.

---

**PROPOSED AMENDMENTS**

**(additions are underscoring and deletions are ~~stricken through~~)**

---

**FINANCIAL REQUIREMENTS**

\*\*\*

**SECTION 8. ~~ADDITIONAL~~ INFORMATION REQUESTS.**

- (a) If requested by NFA, a Member FCM, RFED, or IB must promptly submit such additional reports and supplemental financial information which NFA deems necessary.
- (b) Each FCM for which NFA is the DSRO and each FDM must file the financial, operational, risk management and other information required by NFA in the form and manner prescribed by NFA.

---

### **EXPLANATION OF PROPOSED AMENDMENTS**

---

NFA uses an automated risk management system (RMS) that analyzes the information NFA collects about a Member and quantifies the information into a risk score for the firm in order to identify the highest risk firms and prioritize NFA's surveillance measures and examinations. The RMS is used primarily to prioritize NFA's examinations of fully disclosed FCMs, IBs, CPOs and CTAs. The system also generates nightly alerts for all categories of membership, including FCMs that hold customer funds and FDMs, which staff reviews the next day to determine whether further follow up is necessary. The RMS also supplements NFA's day-to-day risk surveillance of each FCM that holds customer funds and each FDM, which has a Compliance Manager assigned to it who is responsible for reviewing specific information relating to that FCM or FDM on a daily basis. The manager is also responsible for reviewing the FCM's/FDM's monthly financial information and identifying any concerning information or trends.

NFA staff, in consultation with NFA's Compliance and Risk Committee (CRC), has identified additional FCM and FDM financial and operational data that NFA should collect from FCMs that hold customer funds and for which NFA is the DSRO and FDMs in order to enhance the RMS and provide managers with additional material information for their ongoing manual monitoring. This information, as well as key information that NFA currently collects, will be presented to managers in a comprehensive FCM or FDM "profile report" displaying all key operational, financial, risk management, personnel, etc., information about a particular FCM and FDM. Managers will be able to generate an updated profile report at any time for monitoring purposes and examination staff would be able to generate the profile report to assist the team in preparing for an examination involving the FCM or FDM.

Ms. Melissa D. Jurgens

December 5, 2013

The newly required information covers a broad range of areas including FCM and FDM operations, risk management practices, customer account data, product concentration, and business relationships, and will be collected through the daily segregation report or the daily forex report, with each report populating the appropriate questions on a daily, monthly or quarterly basis. Some examples of the new information include information on margin deficiencies, customer and house funds held outside of the U.S., customers that make up more than 5% of segregation requirement, any single customer with trading volume greater than 10% of overall firm trading volume, market segments that customers trade in and the percentage of customer base in each segment, and any current litigation against the firm or its principals.

In order to implement the new reporting requirements, NFA has amended NFA Financial Requirements Section 8 to specifically require FCMs for which NFA is the DSRO and FDMs to file the financial, operational, risk management and other information required by NFA in the form and manner prescribed by NFA. NFA will notify the affected Members of the specific additional information reporting requirements through a Notice to Members, which will inform firms of the new requirements and provide them with a list of additional information that will be requested and whether the information must be reported on a daily, monthly or quarterly basis.

NFA recognizes that affected firms will need to devote more resources to complete their regulatory filings because of the newly required information. Therefore, NFA simplified the process and, as noted above, plans to collect the additional information through the existing daily segregated funds report or daily forex report. NFA strongly believes that the profile document will significantly enhance NFA's risk management tools by providing managers and other examination staff with a complete summary of all information NFA has determined is important to understanding the risk profile and operations of FCMs and FDMs.

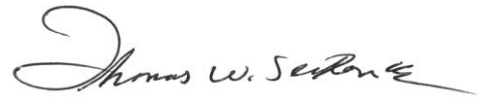
As mentioned earlier, NFA is invoking the "ten-day" provision of Section 17(j) of the Commodity Exchange Act. NFA intends to make the proposed amendments to NFA Financial Requirements Section 8 regarding information requests effective ten

Ms. Melissa D. Jurgens

December 5, 2013

days after receipt of this submission by the Commission, unless the Commission notifies NFA that the Commission has determined to review the proposal for approval.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas W. Sexton". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Thomas W. Sexton  
Senior Vice President and  
General Counsel

---

\* Went into effect on March 21, 2014.