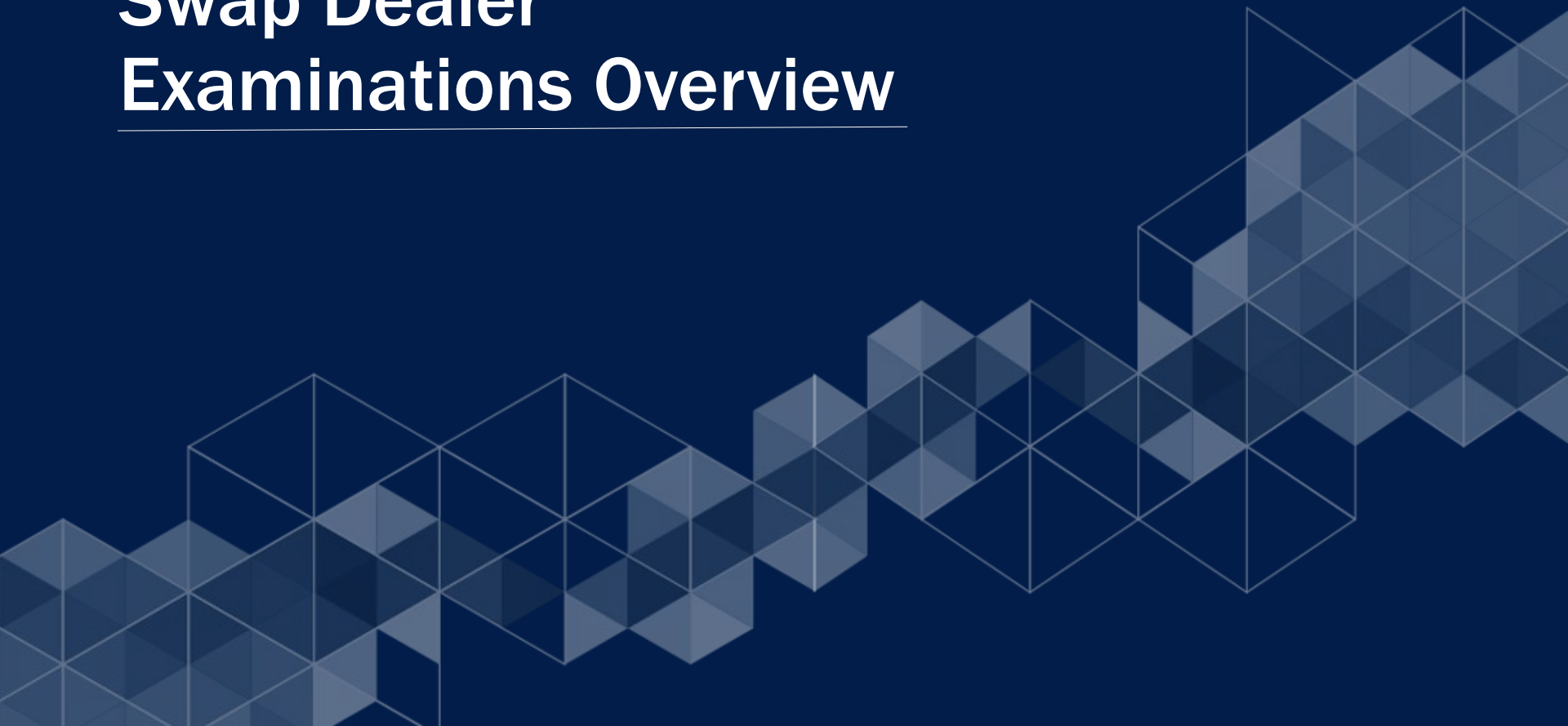


Swap Dealer Examinations Overview



General Information



Program background

- Swap dealer regulatory program covers both U.S. and non-U.S. swap dealers
- NFA Members are required to comply with NFA Rules and CFTC Regulations
- NFA both monitors firms on an ongoing basis and conducts periodic examinations to monitor compliance
- NFA encourages swap dealers to report violations of NFA Rules or CFTC Regulations to NFA and the CFTC immediately

Scheduled exams vs. ad hoc exams

- Scheduled exams:
 - Periodic examinations of swap dealers on a subset of regulations
 - Advance notification of on-site fieldwork
- Ad hoc exams:
 - Major market event or an event at the swap dealer
 - Short notice or unannounced

Examination Scope

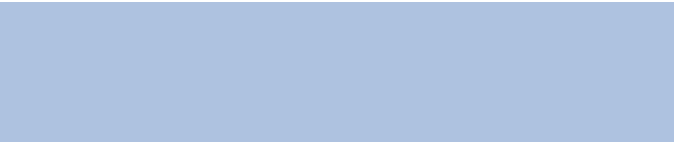


- Risk-based prioritization
 - NFA uses a risk-based approach where each examination is tailored to the firm based on:
 - Previous exam findings
 - Swap valuation dispute notices
 - Risk data filings
 - Self-reported non-compliance issues
 - Other filings including CCO Annual Reports and Risk Exposure Reports
- Additional considerations
 - Prudential regulation
 - Substituted compliance





EXAMINATION PROCESS OVERVIEW



Examination Announcement



- NFA notifies the CFTC and local regulators of a planned examination including scope and duration
- NFA contacts the Member firm with advanced notification prior to fieldwork to announce the upcoming examination
- A formal announcement, known as the First Day Letter, is sent to the firm containing:
 - Examination scope
 - Preliminary document and meeting requests
 - Proposed meeting schedules and agendas for on-site fieldwork
 - Management Representation Letter to be signed by a principal of the firm prior to issuance of the examination report
 - Data Transfer Agreement (non-U.S. firms only) to be signed by a principal of the firm prior to the start of the examination

Fieldwork and Exit Meeting



- Fieldwork
 - On-site average 2 to 4 weeks
 - Interviews of key personnel
 - Review of policies and procedures and key processes and controls
 - Substantive and control testing
 - Document requests
 - Ongoing communication of examination findings
- Exit meeting
 - Discuss observations and findings from fieldwork

Note: NFA aims to conduct as much work as possible prior to on-site fieldwork, including making document requests, conducting interviews, and performing testing.

Exam Closing Meeting and Exam Report



- Exam closing meeting
 - In-person meeting at the firm's office or via teleconference or videoconference
 - Discussion of examination findings
- Exam report
 - Sent to the firm shortly after the closing meeting



Remediation

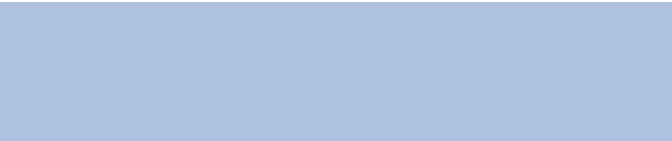


- Firm to provide a written response within 35 calendar days after the issuance of the examination report as to the corrective action(s) the firm has taken or will take to address exam findings, including:
 - Remediation plan
 - Name of individual responsible for the remediation
 - Target date for completion
- Review of the firm's remediation plan
- Verification of remediation actions





ADDITIONAL EXAMINATION INFORMATION



Document Submissions



- Document security
 - Document requests and submissions are made via NFA's secure, web-based EasyFile Regulatory Filing System (RFS)
 - RFS uses existing security protocols from NFA's Online Registration System (ORS)
- Redacted documents and claim of privilege
 - The firm may not withhold documents or provide documents with redacted information without NFA's prior consent
 - NFA's policy is to not accept a claim of privilege (including attorney-client privilege) as a proper basis for withholding documents or redacting information from them

NFA Expectations



- A liaison to work with the NFA team
- A conference room to accommodate NFA examiners which has a telephone with conference capabilities
- Security passes for NFA staff for the duration of exam
- Access to a locked storage area
- Availability for meetings either in-person or via teleconference or video conference throughout the exam

