

Exam Findings and Observations: Swaps

Member Regulatory Workshop

A decorative graphic on the right side of the slide features a series of overlapping, semi-transparent hexagons. These hexagons are arranged in a staggered, ascending pattern from the bottom left towards the top right, creating a sense of depth and movement. The hexagons are filled with a light blue color and have white outlines, set against the dark blue background.

Rule Discussions



- Business Conduct Standards
- Swap Data Reporting
- Capital
- Portfolio Reconciliation
- Supervision



Rule Discussions



Business Conduct Standards

- General Provisions
- Know Your Counterparty
- Disclosures
- Prohibition against Fraud, Manipulative, and Abusive Trading Practices



Business Conduct Standards



Exam Findings and Reminders

- General Provisions – policies and procedures are not reasonably designed to ensure compliance
- Know Your Counterparty requirements are not met
- Pre-trade mid-market marks not provided

Surveillance



- Surveillance capabilities should:
 - Cover all in-scope products for all swaps Associated Persons
 - Cover all applicable languages
 - Monitor both written and verbal communications
 - Pay greater attention to desks or individuals with history of problems
- Reviews should be conducted independently from sales and trading
- Reviews should be documented and include escalation and resolution

Swap Data Reporting



- Reporting to SDR is not timely or is incomplete – improvement over time but still challenges to comply
- New effective regulations including reconciliations with SDRs, corrections of errors and notification of failure to timely correct

Capital - Reminder



- CFTC minimum capital requirement for legal entity
- Use of internal models



Portfolio Reconciliations



- Material terms are not reconciled or not reconciled timely
- Reconciliations with non-SD counterparties not reasonably performed



Supervision



- Rules require diligent supervision
- Includes both implementing policies and procedures to allow compliance and monitoring activities for compliance
- Enhance supervision through strong surveillance and testing
- Identify problems early



Q&A Session

NFA Information Center

8:00 a.m. to 5:00 p.m. CT, Monday - Friday

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