Study Outlines for the Futures Industry
Introduction

The following information is intended to serve as an aid for candidates preparing for the futures industry exams. This guide discusses the procedures for signing up for the various exams, general administrative information about the exams, details regarding the various exam types, the topics covered on each exam and references to study materials available for preparing for the exams.

Please note that simply passing one of the futures industry exams does not allow an individual to act as a registered commodity broker. You must first file an online registration application with NFA and submit the appropriate fee(s), fingerprint cards and any other necessary filings. To find out more about NFA’s online registration process, go to the Begin Enrollment Process page on the NFA website.

You may also call NFA’s Information Center at 800-621-3570 or 312-781-1410.
<table>
<thead>
<tr>
<th>Exam Name</th>
<th>Cost</th>
<th>Number of Questions</th>
<th>Material Covered</th>
<th>Time Allotted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 3/National Commodity Futures Examination</td>
<td>$130*</td>
<td>120** True/False and Multiple Choice</td>
<td>Market Knowledge and U.S. Regulations</td>
<td>2 Hours 30 Minutes</td>
</tr>
<tr>
<td>Series 30/NFA Branch Manager Examination</td>
<td>$85*</td>
<td>50 True/False and Multiple Choice</td>
<td>Supervisory Issues</td>
<td>1 Hour</td>
</tr>
<tr>
<td>Series 31/Futures Managed Funds Examination</td>
<td>$85*</td>
<td>45 True/False and Multiple Choice</td>
<td>Managed Funds</td>
<td>1 Hour</td>
</tr>
<tr>
<td>Series 32/Limited Futures Examination- Regulations</td>
<td>$85*</td>
<td>35 True/False and Multiple Choice</td>
<td>U.S. Regulations</td>
<td>45 Minutes</td>
</tr>
<tr>
<td>Series 34/Retail Off-exchange Forex Examination</td>
<td>$85*</td>
<td>40 True/False and Multiple Choice</td>
<td>Retail Off-Exchange Forex</td>
<td>1 Hour</td>
</tr>
</tbody>
</table>

*Effective January 1, 2018.

** Candidates will also receive (5) additional experimental questions that DO NOT count toward their grades.
Taking the Exams

Please plan to arrive 30 minutes before your scheduled appointment to allow time for check-in procedures. You may be allowed to start your exam early if a seat is available.

You will not be allowed to test if you arrive later than 30 minutes after your appointment start time and a seat is unavailable to accommodate your full testing time. If you are not permitted to test due to your late arrival, FINRA will charge your firm a late cancellation fee. If you are not sponsored by a firm, you will be required to pay for a new test enrollment in order to schedule a new appointment.

To gain admission to the center, you will be required to provide a valid form of government issued identification with your picture and signature. Acceptable forms of identification include a valid driver’s license, passport or military ID. **If you do not have the required ID, you must cancel your appointment until you acquire it.** You will also be required to provide your signature upon arrival at the exam center, agree to the rules of conduct and provide a finger imprint(s). Calculators may not be brought into the exam center. However, the exam center will provide you with a calculator upon request.

**Note: Expired candidate IDs will not be accepted under any circumstances.**

Exam sessions are closed-book. You are not permitted to bring personal possessions such as books, briefcases, purses, electronic devices or notes into the testing/training room. You may take only authorized material issued by center staff into the testing/training room. The center staff is not responsible for articles you take to the session. Center staff will provide scratch paper for your use during the session. All materials, including used and unused scratch paper, must be returned to the center staff at the end of the session.

Severe penalties will be imposed on anyone who cheats on a FINRA-administered exam.

Either at the end of the allowed exam time or when you voluntarily stop the exam, the test system will determine your score and display the exam results. Your score will determine if you passed the exam. If you fail the exam, the overall percentage score and the percent of questions answered correctly in each section will appear. If you pass the exam, the overall percentage score and percent of questions answered correctly will not appear. You will receive a printout of the exam results. The exam center will send the exam results to FINRA. The minimum passing score for the futures exams is 70 percent. **On the National Commodity Futures Examination - Series 3, the candidate must receive a score of 70 percent on both parts of the exam (market knowledge and regulations) in order to pass.** It is your responsibility to keep a record of your exam results.

Click [here](#) to access Frequently Asked Questions regarding testing.
Signing Up for the Futures Industry Exams

To sign up for any of the futures industry exams, you must enroll online and pay the applicable fee to the Financial Industry Regulatory Authority (FINRA). Applications are only available for online submission. This online process provides convenient credit card and electronic (ACH) payment options. Fees are not refundable. Please note that a sponsor is not required for any of the futures industry exams. A candidate without a sponsor should indicate his/her own name, address and phone number in the section of the online application that asks for the firm’s name, address and phone number. To access the online application, click here.

Candidates that do not pass the exam will be subject to waiting periods before they are allowed to sign up to retake the exam.

Scheduling an Appointment to Take an Exam

General Information

After the online application and fee has been submitted to FINRA and the candidate has received confirmation from FINRA, he or she may schedule an appointment to take the exam. The candidate will have 120 days to schedule and take the exam.

To schedule an individual appointment, call Prometric at 800-578-6273. You may also schedule an appointment and see testing center locations by clicking here.

Please keep in mind the following tips when scheduling an exam:

- If you are calling to schedule an appointment, call after 10:00 a.m. to avoid any early morning activity that normally takes place at the centers.
- Plan ahead to secure a preferred testing date; allow two to three weeks lead time when scheduling an exam.
- Provide the name exactly as it appears on the online application as the registration validation process matches the first initial of the first name.
- Provide a back-up telephone number in addition to a primary number. Exam staff will attempt to contact you if it is necessary to cancel or reschedule the exam session or if the enrollment cannot be validated. This number may also be used to notify you of any emergency closings due to weather or a system outage.
- Note your appointment tracking number. This number will be helpful if your appointment needs to be rescheduled or cancelled.
- Make appointments through the local exam center when scheduling an appointment less than four calendar days from the current date.
Rescheduling for candidates that do not pass the exam

If you do not pass the exam, you will need to file another online application online and fee with FINRA and then re-register to take the exam. Another exam cannot be scheduled until re-registration has taken place.

Candidates will be subject to the following waiting periods between exams if they have failed the Series 3, Series 30, Series 31, Series 32 or Series 34 within the past two years:

- A minimum of 30 days after failing the first exam before the second taking of the exam can be scheduled;
- A minimum of 30 days after failing the second exam before the third taking of the exam can be scheduled; and
- A minimum of 180 days after failing the exam for the third time before the fourth taking of the exam (and each subsequent taking) can be scheduled.

Questions Regarding Exam Issues

FINRA’s Field Support Service at (800) 999-6647 is available Monday through Friday from 8:00 AM to 6:00 PM, Eastern Time, to assist candidates with questions pertaining to enrollment, exam delivery policy and procedure, and extensions to your validation window. Questions may also be addressed by sending an email to gatewayweb@finra.org.

Scheduling Multiple or Group Appointments

A **multiple appointment** is when five or more candidates are being scheduled for multiple exams for various dates and testing center locations. Multiple appointments are handled directly by the exam vendor. Please contact Prometric Testing Centers at 800-578-6273 to schedule multiple appointments.

A **group appointment** is when five or more candidates are being scheduled to take the exact same exam at the same time at the same testing center location. Procedures for scheduling a group appointment can be found by clicking here.

Scheduling an exam in a location outside of the United States

FINRA administers exams abroad in selected foreign cities. For more information on foreign exam locations, phone numbers for scheduling appointments at a foreign location or foreign test center policies and procedures, click here.
**Limited English Proficiency (LEP)**

Candidates with LEP are persons who (1) **do not** speak English as their primary language and (2) have limited ability to read, speak, write and understand the English language.

FINRA requires the firm or the candidate (if there is not a sponsoring firm) to submit to FINRA a request for additional time prior to the LEP candidate scheduling an examination. A [LEP Request Form](#) that the candidate is LEP-eligible must be completed. Also, the firm or candidate will attest to the accuracy of the information on the form and acknowledge that any misrepresentation of the candidate’s LEP-eligibility may result in a disciplinary proceeding. FINRA will notify its test delivery vendor that a candidate is eligible to receive additional time to complete the examination.

Testing center personnel are not authorized to grant additional time to candidates based on LEP.

For exams up to 2 hours, an extra 30 minutes will be added to the session. For exams longer than 2 hours, an extra 60 minutes will be added to the session.

Procedures for requesting additional time for your exam session can be found by clicking [here](#).

**Special Accommodations**

FINRA, in compliance with the provisions of the [American with Disabilities Act (ADA)](#), provides testing modifications and aids to candidates with disabilities and/or learning impairments that substantially limit a major life activity (e.g., learning, speaking, hearing, vision). FINRA makes arrangements to offer examinations/sessions in a place and manner appropriate to persons with disabilities according to the ADA.

Procedures and forms for requesting special accommodations for taking an exam can be found [here](#).

**Note:** Candidates with transitory or temporary conditions that are not “impairments or disabilities” (e.g., pregnancy, sprains, fractures) are not eligible for special testing accommodations under the ADA. Those in need of accommodations should contact FINRA for information about a possible special testing arrangement that can be handled on a case-by-case basis.
Exam Cancellation Policy

FINRA assesses a fee for individuals who cancel or reschedule a qualification examination or Regulatory Element session within 3 to 10 business days of a scheduled appointment date.

To avoid cancellation or rescheduling fees, individuals seeking to alter their scheduled appointment must do so a minimum of 10 business days in advance. Appointments cancelled or rescheduled within 10 business days will result in the assessment of one of the following fees:

- **3 - 10 Business Day Cancellation/Rescheduling Fee**: Individuals who cancel or reschedule an appointment within 3 - 10 business days of a scheduled appointment will be assessed a cancellation/rescheduling fee as outlined in the 3 - 10 Business Day Cancellation/Reschedule Fee Table. At the time of rescheduling, these fees will be collected by the testing vendor with whom the individual has scheduled the appointment.

- **Late Cancellation/Rescheduling Fee (Within 2 Business Days of Appointment)**: Individuals who cancel or reschedule an appointment within 2 business days of a scheduled appointment, or who fail to show up for a scheduled exam or Regulatory Element session, will incur a fee equal to the fee of the examination or session being cancelled or rescheduled. FINRA will charge this fee to the individual’s firm. Similarly, if an individual arrives so late that the examination or session cannot begin without disturbing the location schedule for that date, FINRA will charge the individual’s firm a cancellation/reschedule fee. Non-Member candidates who wish to cancel or reschedule an appointment within two business days, or who fail to show up for a scheduled exam or session, are required to open a new enrollment window (and pay the associated exam or session fee) prior to scheduling a new appointment.

The cancellation or reschedule will be considered timely if effected according to the following schedule:

<table>
<thead>
<tr>
<th>Appointment is scheduled for:</th>
<th>To avoid late cancellation/reschedule fee, appointment must be cancelled or rescheduled by midnight, Eastern Time (ET), on:</th>
<th>To avoid 3 - 10 business day cancel/reschedule fee, appointment must be cancelled or rescheduled by midnight, ET, on:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sunday, Monday</td>
<td>Wednesday of the preceding week</td>
<td>Sunday 2 weeks before</td>
</tr>
<tr>
<td>Tuesday</td>
<td>Thursday of the preceding week</td>
<td>Monday 2 weeks before</td>
</tr>
<tr>
<td>Wednesday</td>
<td>Sunday of the same week</td>
<td>Tuesday 2 weeks before</td>
</tr>
<tr>
<td>Thursday</td>
<td>Monday of the same week</td>
<td>Wednesday 2 weeks before</td>
</tr>
<tr>
<td>Friday</td>
<td>Tuesday of the same week</td>
<td>Thursday 2 weeks before</td>
</tr>
<tr>
<td>Saturday</td>
<td>Wednesday of the same week</td>
<td>Friday 2 weeks before</td>
</tr>
</tbody>
</table>
### 3 - 10 Business Day Cancellation/Reschedule Fee Table

<table>
<thead>
<tr>
<th>Exam Series</th>
<th>Examination Title</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>National Commodity Futures Examination</td>
<td>$65.00</td>
</tr>
<tr>
<td>30</td>
<td>NFA Branch Manager Examination</td>
<td>$42.50</td>
</tr>
<tr>
<td>31</td>
<td>Futures Managed Funds Examination</td>
<td>$42.50</td>
</tr>
<tr>
<td>32</td>
<td>Limited Futures Exam-Regulations</td>
<td>$42.50</td>
</tr>
<tr>
<td>34</td>
<td>Retail Off-Exchange Forex Examination</td>
<td>$42.50</td>
</tr>
</tbody>
</table>
Exchange Rulebooks and Market Literature

In addition to the official rulebooks of the exchanges, literature on trading futures, options on futures and individual markets is helpful in preparing for the examination. Please contact individual exchanges in order to obtain pricing lists, publication catalogs and order forms. Various departments within each exchange may be of assistance: Public Relations, Marketing, Literature, Member Services and Education.

- CME Group
- ICE Futures U.S.
- Minneapolis Grain Exchange
- NASDAQ Futures
- One Chicago LLC Futures Exchange
- CBOE Futures Exchange
Other Publications

NFA

NFA Rulebook
The NFA Rulebook contains NFA’s Articles of Incorporation, Bylaws, Compliance Rules, Code of Arbitration, Member Arbitration Rules, Financial Requirements, Registration Rules, and various interpretations of NFA rules and bylaws.

Regulatory Guides
NFA publishes several regulatory guides to help its Members meet their regulatory obligations. These include:

- NFA Regulatory Requirements for FCMs, IBs, CPOs and CTAs
- A Guide to NFA Compliance Rules 2-29 and 2-36: Communications with the Public and Promotional Material
- Disclosure Documents: A Guide for CPOs and CTAs
- Self-Examination Questionnaire: For FCMs, FDMs, IBs, CPOs and CTAs

The Commodity Futures Trading Commission
The rules and regulations of the CFTC are encompassed in the Commodity Exchange Act as amended and regulations thereunder. Updated periodically. Current editions may be viewed here.

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Examination Subject Areas

Series 3 - National Commodity Futures Examination

The following is a general listing of the major subject areas covered by the examination and does not represent an exhaustive list of the actual test questions.

Part 1 - Futures Trading Theory and Basic Functions Terminology

General Theory

1. Development of futures market
2. Futures and securities compared
   - Rights
   - Obligations
   - Transfer of ownership

The Futures Contract

1. Futures and forward contracts compared
2. Offset provisions
3. The clearinghouse function
   - Clearing members
   - Non-clearing members
4. Delivery provisions
   - Basis grade
   - Premiums
   - Discounts

The Structure of Futures Markets

1. Normal markets
   - Carrying charges
   - “Full carry” markets
2. Inverted markets
   - Supply shortages
   - Other factors

Hedging Theory

1. Risk reduction
   - Unhedged position
   - Effect on pricing of cash markets
2. Short hedging
   - Typical short hedges: farmers, producers, holders of inventory
   - Effect on pricing of cash markets
3. Long hedging
   - Typical long hedges: processors, manufacturers, exporters
   - Protection against price rise

Speculative Theory

1. Leverage
2. Risk
3. Market liquidity
4. Price volatility

General Futures Terminology

<table>
<thead>
<tr>
<th>General Futures Terminology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associated Person</td>
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<tr>
<td>Basis</td>
</tr>
<tr>
<td>Bucketing</td>
</tr>
<tr>
<td>Carrying charges</td>
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<tr>
<td>Chuming</td>
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<tr>
<td>Clearing house</td>
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<tr>
<td>Convergence</td>
</tr>
<tr>
<td>Commodity Trading Advisor</td>
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<tr>
<td>Deferred</td>
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<tr>
<td>Discount</td>
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<tr>
<td>Expit</td>
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<tr>
<td>Futures Commission Merchant</td>
</tr>
<tr>
<td>First Notice Day</td>
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<tr>
<td>Floor Broker</td>
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</tbody>
</table>

General Options Terminology

<table>
<thead>
<tr>
<th>General Options Terminology</th>
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</thead>
<tbody>
<tr>
<td>At-the-money</td>
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<tr>
<td>Call</td>
</tr>
<tr>
<td>Conversion</td>
</tr>
<tr>
<td>Delta</td>
</tr>
<tr>
<td>Chuming</td>
</tr>
<tr>
<td>Exercise</td>
</tr>
<tr>
<td>Expiration</td>
</tr>
<tr>
<td>Grantor</td>
</tr>
<tr>
<td>In-the-money</td>
</tr>
<tr>
<td>Intrinsic Value</td>
</tr>
</tbody>
</table>


Series 3 (continued)
Futures Margins, Options Premiums, Price Limits, Futures Settlements, Delivery, Exercise, and Assignment

**Margin Requirements**
1. The nature of futures margin
   - Performance bond
   - Comparison with securities margin
   - Authority of exchanges to establish and revise requirements
   - Initial and maintenance requirements
   - Documentation: margin agreement, transfer of funds agreement
2. Margin calculations
   - Initial
   - Maintenance/variation
   - Effects of substantial price movement
   - Effects of change in requirements on new and existing positions
   - Withdrawal of excess equity
3. Alternative calculations
   - Hedge margin
   - Spread margin

**Options Premiums**
1. Intrinsic value
2. Time value
3. The delta
4. Premium quotations

**Price Limits**
1. Effect of limit-up/down price change
2. Expanded limits
3. Effects on margin of limit moves
4. Lock limit
5. Circuit breakers

**Offsetting Contracts, Settlements, Delivery**
1. Liquidating long and short positions
2. First notice day
3. Trading in the spot month
4. The clearinghouse role in the delivery
5. Delivery notices
6. Retenders/stopped notices
7. Physical delivery, warehouse receipts
8. Cash settled contracts; how settlement is computed
   - Stock indices
   - Municipal bonds
   - Eurodollars
9. EFP’s

**Options Exercise, Assignment, Settlement**
1. Process of assignment
2. Margin requirements upon exercise
3. Final trading/exercise dates

**Types of Orders, Customer Accounts, Price Analysis**

**Basic Characteristics and Uses of**
1. Market orders
2. Stop orders
3. Stop-limit orders
4. Market-if-touched orders
5. Orders on electronic markets

**Additional Orders**
1. Good till canceled (GTC)
2. Fill-or-kill
3. On close
4. One cancels the other (OCO)

**Technical Price Analysis**
1. Charts: bar, point and figure
2. Trendlines
3. Support/resistance levels
4. Congestion areas
5. Gaps
6. Triangles: ascending and descending
7. Double tops and bottoms
8. Volume and open interest
9. Liquidating markets

**Fundamental Price Analysis**
1. Effects of economic or political instability
2. Supply and demand elasticity
3. U.S. agricultural policies
4. Crop years
5. Hog/com ratio

**Interest Rate Analysis**
1. Yield curves: positive, inverted, flat
2. Effects of governmental policies
   - Tax policy
   - Monetary policy
Series 3 (continued)

Basic Hedging, Basis Calculations, Hedging Futures

**Short Hedging and Long Hedging**

1. Anticipatory hedges
2. Long the basis/short the basis

**The Basis**

1. How determined
2. Effect of basis charge on
   - The short hedger
   - The long hedger
3. Effect on price of commodity actually delivered or purchased
   - Transportation costs
   - Variation in deliverable grades
4. The basis in financial markets
   - Short-term rates vs. long-term rates
   - “Implied repo rate”

**Hedging Calculations**

1. Net result of hedge
2. Net price received upon purchase or sale

<table>
<thead>
<tr>
<th>Grains</th>
<th>T-Notes, T-Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock</td>
<td>T-Bills, Eurodollars</td>
</tr>
<tr>
<td>Food stuffs</td>
<td>Municipal</td>
</tr>
<tr>
<td>Metals</td>
<td>Currencies</td>
</tr>
<tr>
<td>Energy</td>
<td>Stock indices</td>
</tr>
<tr>
<td>Lumber</td>
<td></td>
</tr>
</tbody>
</table>

**Spreading**

**Spread Trading**

1. Order execution
2. Expectations
   - Narrowing or widening basis
   - Normal or inverted market strategies

**Common Types of Spreads**

1. Carrying charge or limited risk spreads
   - Intra-market
   - Inter-delivery
2. Bull and bear spreads
3. Intermarket spreads

**Speculating in Futures**

**Profit/loss calculations for speculative trades (including spreads)**

1. Gross profit on speculative trades: single or multiple contract positions
2. Effect of commissions on gross
3. Return on (margin) equity calculations

**Trading Applications**

1. Recommend appropriate speculative trades given certain economic or technical circumstances
2. Use appropriate orders both to initiate and protect position
Series 3 (continued)
Option Hedging, Speculating, Spreading

Option Theory
1. Long
   • Limited risk
   • Increased leverage
   • Total loss of investment (premium) possible
2. Short
   • Increased risk
   • Earn premium
   • Loss may exceed premium received

Option Hedge Strategies/Calculations
1. Long put as alternative to short futures hedge
2. Long call as alternative to long futures hedge
3. Allows for increased profit once breakeven point is reached

Option Speculative Strategies/Calculations
1. Long call as substitute for long futures
   • Risk limited to premium
   • Breakeven point
   • Profit and return on equity
2. Long put as substitute for short futures
   • Risk limited to premium
   • Breakeven point
   • Profit and return on equity
3. Long call to protect short futures (synthetic long put)
4. Long put to protect long futures (synthetic long call)
5. Long futures-short call (covered call)
6. Conversions
7. Reverse conversions (reversals)

Option Spread Strategies/Calculations
1. Call bull spreads
   • Spread to widen
   • Maximum profit/loss
2. Call bear spreads
   • Spread to narrow
   • Maximum profit/loss
3. Put bull spreads
   • Spread to narrow
   • Maximum profit/loss
4. Put bear spreads
   • Spread to widen
   • Maximum profit/loss
5. Calendar spreads
6. Arbitrage spreads
Series 3 (continued)
Part 2 – Regulations

General
1. CFTC registrations/NFA membership
   • Floor Broker (FB)
   • Floor Trader (FT)
   • Associated Person (AP)
   • Commodity Pool Operator (CPO)
   • Commodity Trading Advisor (CTA)
   • Introducing Broker (IB)
   • Futures Commission Merchant (FCM)
2. Futures account opening requirements
   • Know Your Customer (NFA
   • Commodity customer agreement
   • Discretionary accounts
     • Written authorization
     • Account supervision and review
     • AP minimum experience requirement
3. Position reporting requirements
   • Set by CFTC or exchanges
   • Daily reports
   • Applicable to both speculators and hedgers
4. Speculative position limits
   • Maximum net long or short position
     specified by CFTC or exchanges
   • Bona fide hedgers' exemption

FCM/IB Regulations
1. Guaranteed and independent IBs
   • Responsibilities of guarantor FCM
   • Rules for acceptance of customer funds
2. Net capital requirements
3. Financial reports
4. Collection of margin deposits
5. Customer complaints
   • Options-related complaints
   • Adjustments to accounts
6. Time-stamping requirements
7. Promotional Material (NFA Compliance Rule 2-29)
8. Disclosure by FCMs and IBs required for costs associated with futures transactions

CPO/CTA
1. Disclosure documents
   • Upfront fees
   • Performance records
   • Disclosure statements
   • Trading program
   • Five-year business background of principals
   • Conflicts of interest
2. Records to be maintained
   • Bunched orders
3. Promotional Material (NFA Compliance Rule 2-29)

Arbitration Procedures

NFA Disciplinary Procedures
1. Formal complaints
2. Warning letters
3. Hearings
   • Offers to settle
   • Appeal process
4. Member responsibility actions (MRA)
5. Penalties for violators
   • Fine
   • Cease and desist order
   • Expulsion

CFTC Commodity Exchange Act Enforcement
Series - 30 NFA Branch Manager Examination

The following is a general listing of the major subject areas covered by the examination and does not represent an exhaustive list of the actual test questions.

General

- Books and records, preparation and retention
- Order tickets, preparation and retention
- Written option procedures
- Handling of customer deposits
- NFA Compliance Rule 2-9, supervision of employees
- Business Continuity and Disaster Recovery Plan
- Registration requirements—who needs to be registered, sponsor verification, NFA Bylaw 1101, AP termination notices, temporary licenses
- NFA disciplinary process
- Reportable positions
- NFA Arbitration Rules
- On-site audits of branch offices
- Bona fide hedging transactions
- Trading on foreign exchanges

CPO/CTA General

- Registration requirements
- Books and records to be maintained
- Reports to customers
- Bunched orders

CPO/CTA Disclosure Documents

- Management and incentive fees
- Performance records
- How long a CPO or CTA can use a disclosure document
- Conflicts of interest
- Pool units purchased by principals
- Business backgrounds of principals
- Amendments to disclosure documents
- Disclosure of disciplinary actions
- NFA review of document before each use

NFA Know Your Customer Rule

- Client information required
- Responsibility to obtain additional client information
- Risk disclosures

Disclosure by CPOs and CTAs Required for Costs Associated with Futures Transactions

- Disclosure of upfront fees and expenses
- Effect of upfront fees and organizational expenses on net performance

Disclosure by FCMs and IBs Required for Costs Associated with Futures Transactions

- Explanation of fees and charges to customers

IB General

- Accepting funds from customers
- Guarantee agreements
- Responsibilities of guarantor FCM
- Minimum net capital requirements
- Timestamping of order tickets
- Books and records to be maintained

General Account Handling and Exchange Regulations

- Risk Disclosure Statement
- Margin requirements
- Stop loss orders
- Preparing orders
- Proprietary accounts
- Positions limits and reporting requirements
- Trade confirmations
Series 30 (continued)

Discretionary Account Regulation
- Requirements relating to discretionary accounts
- Supervision and review of discretionary accounts

Promotional Material (Compliance Rule 2-29)
- Definition of promotional material
- Standardized sales presentations
- Use of a third-party consulting or advertising firm
- Reprints of articles from industry publications
- Recordkeeping of promotional material
- Past performance
- Hypothetical trading results
- Written procedures for promotional material
- Supervisory review of promotional material

Anti-Money Laundering Requirements
- Developing policies, procedures and internal controls
- Customer identification program and recordkeeping
- Detection and reporting of suspicious activity
- Training staff to monitor trading activity
- Recordkeeping
- Designation of individual or individuals (“compliance officer”) to be responsible for overseeing the program
- Employee training program
- Independent audit function
Series 31 – Futures Managed Funds Examination

The following is a general listing of the major subject areas covered by the examination and does not represent an exhaustive list of the actual test questions.

**General market knowledge**

1. Disclosure documents
   - Margin
   - Futures and forward contracts
   - Price limits
   - Open interest
   - Offsetting contracts
   - “Marking-to-market”
   - Settlement
   - Spread trades
   - Basis
   - Hedging
   - Yield curve
   - Cost of carry
   - Leverage
   - Price volatility

2. General Regulation
   - Arbitration claims and awards
   - NFA disciplinary process
   - NFA Compliance Rule 2-9, supervision of employees
   - “Qualified Eligible Participant”
   - Registration requirements
   - Trading on foreign markets
   - Books and records to be maintained

**Know Your Customer Rule**

- Client information required
- Risk disclosures

**Disclosure by CPOs and CTAs Required for Upfront Fees**

- Disclosure of upfront fees and expenses
- Effect of upfront fees and organizational expenses on net performance

**Promotional Material (Compliance Rule 2-29)**

- Definition of promotional material
- Standardized sales presentations
- Use of a third-party consulting or advertising firm
- Reprints of articles from industry publications
- Recordkeeping of promotional material
- Past performance
- Hypothetical trading results
- Written procedures for promotional material
- Supervisory review of promotional material

**CPO/CTA Regulations**

- Reports to customers
- Exemptions from registration
- Records to be maintained
- Limited partnerships
- Accepting funds from customers

**CPO/CTA Disclosure Documents**

- Management and incentive fees
- Performance records
- Conflicts of interest
- How long a CPO or CTA can use a disclosure document
- Pool units purchased by principals
- Disclosure statements
- Business backgrounds of principals
- NFA review of document before use
- Disclosure of disciplinary action
Series 32 – Limited Futures Examination - Regulations

The following is a general listing of the major subject areas covered by the examination and does not represent an exhaustive list of the actual test questions.

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Arbitration Procedures

NFA Disciplinary Procedures

1. Written complaints
2. Warning letters
3. Hearings
   • Offers to settle
   • Appeal process
4. Member responsibility actions (MRA)
5. Penalties for violators
   • Fine
   • Cease and desist order
   • Expulsion

CFTC Commodity Exchange Act Enforcement
The following is a general listing of the major subject areas covered by the examination and does not represent an exhaustive list of the actual test questions.

### Definitions and Terminology
- American terms, European terms
- Base currency, quote currency, terms currency, secondary currency
- Bid/ask spread
- Collateral, security deposit, margin
- Counterparty, dealer: Futures Commission Merchant, Retail Foreign Exchange Dealer, other regulated entities listed in the Commodity Exchange Act
- Cross rates
- Currency crosses
- Currency pairs
- Direct quotes, indirect quotes
- Exchange rate
- Forward points
- Forward rate, bid forward rate
- Interest rate differential
- Interest rate parity
- Mark-ups, mark-downs
- PIPS
- Rollovers
- Spot rate, spot price
- Tom-next and spot-next
- Trade date and settlement date
- Swaps

### Forex Trading Calculations
- Cross rate transactions
- Effects of leverage calculations
- Netting of positions
- Open trade variation
- Profit & loss calculations
- Pip values, price after pips
- Return on collateral, security deposit, margin
- Transaction costs

### Risks Associated with Forex Trading
- Country or sovereign risk
- Credit risk
- Exchange rate risk
- Interest rate risk
- Liquidity risk
- Market risk
- Operational risk
- Settlement risk, Herstaat risk

### Forex Market - Concepts, Theories, Economic Factors and Indicators, Participants
- Balance of payments
- Balance of trade
- Bank for International Settlements (BIS)
- Capital account and current account
- Central bank activities, intervention, sterilized intervention
- Clearing House Interbank Payment System (CHIPS)
- Discount rate
- Economic indicators: employment, consumer spending, income, industrial and inflation indicators
- Elasticity of exchange rates
- Exchange rate intervention
- Exchange rate volatility
- Federal Reserve Board, Fedwire
- Fiscal policy
- Fisher effect
- Foreign investment indicators
- Gross national product, gross domestic product
- Inflation
- Interbank funds transfer and settlement systems
- International Fisher effect
- International Monetary Fund
- Portfolio balance
- Role of central banks
- Theory of elasticities
- Theory of purchasing power parity
- World Trade Organization
Series 34 (continued)

**Forex Regulatory Requirements**

- Close out of offsetting positions
- Disclosure of profitable vs. non-profitable accounts
- Prohibition of guarantees against loss
- Registration requirements
- Re-quoting
- Security deposits
- Specific authorization for trades
- CFTC jurisdiction and jurisdictional limitations
- Conflicts of interest
- Disclosures to customers
- Jurisdictional & regulatory framework
- Know your customer
- NFA Interpretive Notices
  - The Allocation of Bunched Retail Forex Orders for Multiple Accounts
  - Forex Transactions
  - Requirements for Forex Transactions
  - Supervision of the Use of Electronic Trading Systems
  - Prohibition on the Use of Certain Electronic Funding Mechanisms (Effective January 31, 2015)
- NFA membership and associate membership requirements
- Promotional material & solicitation
- Reports to customers, confirmations, monthly summaries
- Security deposit rules
- Security of customer funds, no segregation