Exam Prep and Common Findings: SDs

London Member Workshop

COREY LITTLE
Associate Director
OTC Derivatives

MICHELLE CUNNINGHAM
Manager II
OTC Derivatives

Agenda

- Exam process overview
- Best practices
- Common exam findings
- Q&A

Exam Process

Identifying Firms to Examine

- Schedule based on time since previous exam, prioritized firms and logistical factors.
- Relay selected firms and information to exam teams to begin research and scoping.

Scoping and Initiating an Exam

- Identify characteristics and risks of applicable swap dealer
- Preliminary questionnaire (“PQ”)
  - New: Supervision spreadsheets
- Finalize scope
- First day letter (Day 1)

Fieldwork and Testing

- Kick-off meeting
- Meetings—onsite and virtual
  - Interview key personnel
  - Observe controls, supervisory processes, and key systems
- Fieldwork testing
  - Document requests
  - Review firm records
  - Sample-based testing
- Areas of concern
  - Transparency and discussion
  - Corrective action

End of Exam

- Management representation letter
- Exit interview
  - Summarize report items and management points
  - Discuss corrective action
- Exam report
- Firm response
  - Circumstances that led to each finding
  - Corrective action

Best Practices

Communication:

- Delays
- Confusion? Ask the exam team
- Logistical practices

Repeat requests:

- Trade data and common discrepancies
- Supervision templates
- Communications

NFA Membership:

- Questions outside of exams
- Material non-compliance outreach

Common Findings

Common Exam Findings

Business conduct standards

- General provisions – CFTC 23.402(a)
- Disclosures of material information – CFTC 23.431(d)

Supervision – NFA 2-9

SDR: Reports to swap data repository – CFTC 23.204

- Swap data verification – CFTC 45.14

SDR: Real-time public reporting – CFTC 23.205

- Failure to report timely – CFTC 43.3

Qualification testing of APs – NFA 2-24

Q&A

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