

Exam Prep and Common Findings: SDs

London Member Workshop



COREY LITTLE
Associate Director
OTC Derivatives



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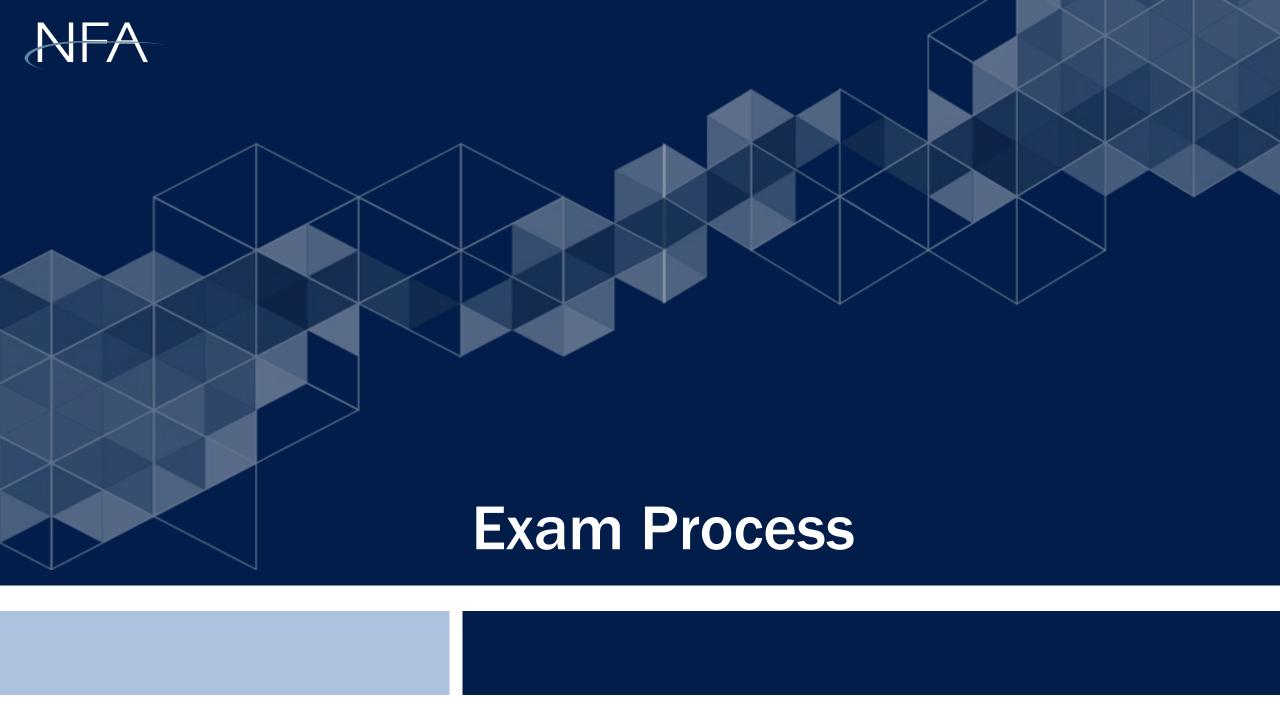
Manager II

OTC Derivatives

Agenda



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



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 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



