

**Regulatory Requirements—CPO and CTA Members Webinar**  
**March 24, 2026**

Matthew Rosamilia:

Good morning, and welcome to NFA's Regulatory Requirements webinar for commodity pool operator (CPO) and commodity trading advisor (CTA) Members. My name is Matthew Rosamilia, and I'm a Senior Communications Specialist in NFA's External Affairs and Communications department. Thank you for joining us today. Before we kick off today's program, I do have a few housekeeping items.

With regard to format, we'll begin today's webinar with a brief presentation on regulatory requirements for your membership category CPOs and CTAs. Then we will spend the remainder of our time answering questions you, our Members, have submitted.

To submit a question, locate the box labelled 'Ask a Question' on the left side of your webinar screen. Type your question into the box and click send. We are able to see questions as they are submitted. You can start to submit questions as soon as right now based on the Notice to Members that was sent out, or feel free to throw any question into the chat box throughout the webinar. We will answer as many questions as we can in the time we have. Should we not get to your question, or if you have a firm-specific question, an NFA staff member will reach out to you following the webinar.

Lastly, a recording and transcript of today's webinar will be available on NFA's website in the coming weeks. Today's webinar is an educational opportunity, as well as a chance for you to engage with NFA staff. We want to hear from you. Therefore, I encourage you to submit any question you may have.

Ensuring Members understand and meet their regulatory responsibilities is a pillar of NFA's mission. Today, is just one of the many ways NFA provides education and resources to its Members. In the coming months, we will be providing more information on the upcoming 2026 Member Workshops. These workshops, held in Chicago and New York for CPOs and CTAs, are another great opportunity to hear the latest updates from NFA staff and engage with us in person. So, please stay tuned for those announcements and always refer to NFA's website for further information.

I also encourage everyone to check out NFA's website at [www.nfa.futures.org](http://www.nfa.futures.org) to see our latest offerings, and also to subscribe to our communications so that you can stay in the loop on upcoming educational opportunities. Well, I'll now be turning the floor over to our presentation group, which will be started by Kaitlan Chi, Senior Manager in our Member Oversight department, to discuss annual, regulatory and other reminders. I encourage you to start sending in your questions during our presentations, and we will try to answer them throughout this transmission. Kaitlan, want to take it away?

Kaitlan Chi:

Yes. Thank you, Matthew. All right. If you're a commodity pool operator or a trading advisor, you know that compliance could sometimes feel like you're trying to navigate a minefield, right? Well, today we're going to ditch the dense legal jargon and swap it out for a simple, proactive, strategic blueprint. We're going to show you how to turn these mandatory requirements into a real deal competitive advantage. So, let's dive right in. Let's just start with a really important question that everyone should be asking themselves. Are preventable errors exposing your firm to risk? Because you know, the biggest compliance threats, they often aren't the super complex trading strategies. Nope. They're the small administrative things that can so easily slip through the cracks. This really is a key insight. We're talking about simple errors that are completely preventable. It's just a powerful reminder that having the right systems in place doesn't just manage risk, it can help halt it at the source.

Okay, so let's try to reframe how we think about this. Compliance isn't just about ticking off boxes on a checklist to make the regulator happy. It's really about building a fortress that protects the future of your firm. This is the end game right here. The whole goal is to stop being reactive, to stop running around putting out fires, and instead to become strategic architects. Making that shift doesn't just keep regulators off your back. It protects your bottom line from enforcement actions and maybe most importantly, protects your brand from reputational damage that can be almost impossible to come back from.

Now let's get into the nitty gritty. We're going to break down the core obligations that really should form the predictable beat, the rhythm of your yearly compliance calendar. Think of these six things not as a random to do list, but as essential rhythm of your compliance year. It's a predictable cycle you could actually plan for. It all starts with the basics. Updating your registration and paying your dues on your anniversary date. Then it moves into critical reviews, like completing the self-exam checklist, which must be documented and retained, and the absolute must-haves like testing your disaster recovery plan and making necessary adjustments, providing and documenting annual ethics and cybersecurity training. Sending privacy policies to participants and clients and completing your Member questionnaire. These are your annual non-negotiables.

Now, something that's really interesting here is the Member Questionnaire or what we like to call the MQ. This thing is absolutely not a set-it and forget-it filing. Any kind of material change, and I mean anything, from starting to trade spot digital assets to launching a new pool or starting to direct trading for client accounts requires an immediate update. And why is that? It's because this information feeds directly into NFA's public-facing basic system, which now clearly indicates with the public whether a firm is conducting any commodity interest business. And MQ responses are used to identify certain reporting requirements, so yeah, accuracy here is absolutely critical.

Okay. We've got our annual rhythm down. Now let's talk about the curveballs. Those less frequent but really high stakes regulatory situations that can catch a firm completely off

guard. First up is the session planning. This is a big one. Every single firm needs to have at least one person who is both a principal and a registered associated person, somebody who can actually talk to clients. Now, if your only person who fills both of those roles resigns, your firm's membership could be withdrawn. You have to plan for this.

Also, a lot of firms rely on the 4.7 Exemption, so let's just quickly clarify what it is. In short, it's a way to get relief from certain regulatory requirements, but it's only for when you're dealing with a sophisticated client base. We're talking those that meet the criteria of qualified eligible persons, also known as QEPs. I want to remind everyone that effective March of last year, the QEP definition changed. The update did not change the categories of who can qualify as a QEP, but it did raise the financial thresholds for those subject to the portfolio test.

The portfolio requirement to qualify as a QEP doubled, going from two to four million dollars in investments and from \$200,000 to \$400,000 in margin. In order to reflect inflation and to better distinguish sophisticated investors, you need to be checking against this new higher number. And this new threshold isn't just for new participants or clients. It also applies to your existing participants who want to add more funds to a pool or an existing client who wants to direct another account.

Once you claim the exemption, which must happen before CTA enters into an agreement to direct a QEP client account and before CPO offers or sells participation in a commodity pool that is solely open to QEPs, then both CPOs and CTAs get relief from having to provide that full, lengthy disclosure document, which is a huge relief as long as clients or participants, are provided with a very specific disclosure stating that the firm is relying on this exemption. 4.7 Exempt pools are also permitted to distribute simplified quarterly statements within 30 days of quarter end. And for those that are fund of funds, the CPO may choose instead to prepare and distribute participant statements monthly within 45 days a month end, as long as it has notified participants of this alternate distribution schedule.

Okay, let's pivot and talk about how you communicate with the outside world, because the rules that govern your disclosure documents and promotional materials, well, they're firm, and this is an area where a lot of firms get tripped up. This is rule number one. For those that aren't relying on the 4.7 Exemption, before you can even think about soliciting a new client or participant, you have to make sure the disclosure document you give them has been filed and accepted by the NFA and is current. And that means it's not a day over 12 months old. As regulators, we see the same mistakes over and over again. You can call this list the greatest hits of DD (Disclosure Document) errors. And they're mostly simple things like calculating performance before fees instead of net of fees. Not properly labelling, hypothetical or proprietary performance, fee descriptions that are incomplete with undefined terms, or forgetting to update the break-even analysis with new numbers using the current NAV. These are the exact kind of preventable errors we're building your fortress against.

Every single piece of promotional material, whether it's a website, brochure, you name it, must be reviewed and approved in writing by qualified supervisory personnel before it's first used. That documented pre-approval isn't optional. It's a cornerstone of your whole promotional materials supervisory process. And just like with the disclosure documents, promotional materials have their own set of common pitfalls. The most important one is balance. Anytime you mention potential profits, you have to accompany it with a clear warning about the risk of loss. And if you make a statement of fact, you better believe you need to have the evidence to back it up. And make sure that any hypothetical performance that is used includes material assumptions, is properly labelled and is accompanied by the required verbatim disclaimers, and that you actually meet the qualifications to use it.

For Members that want more guidance and feedback on potential promotional material that they would like to use, NFA offers a voluntary program where NFA will review promotion material for Members prior to its first use. The review typically takes 14 calendar days and provides valuable guidance to Members. I hope this blueprint and these tips will make it easier for you to stay compliant and avoid common pitfalls.

Matthew Rosamilia:

Thank you, Kaitlan, for kicking us off. I did want to ask you a question regarding your presentation, Kaitlan. Can you describe some of the best practices or what best practices you would encourage our Members to implement?

Kaitlan Chi:

Okay. Well, maintaining a strong internal compliance calendar with automated reminders step is going to be your best friend. It's not enough to just know what to do. You need a system that spells out exactly who is responsible, sets deadlines, and then documents review actually happen. First, create that paper trail, document everything. Second, assign clear ownership so there's no confusion about who's supposed to do what. Third, review your procedures regularly because compliance is never a set-it and forget-it kind of thing.

And finally, use a calendar with recurring events so you can turn those chaotic deadlines into a calm, manageable rhythm. And when it comes to the MQ, a best practice would be to have quarterly internal certifications that the MQ remains accurate. You don't want your firm subject to a \$200 per business-day late fee, because you forgot to update the MQ and didn't receive reminders of filing due dates as a result.

Matthew Rosamilia:

Thank you, Kaitlan, and one more question here. If there are no changes like at all at the firm level from year to year, would an annual Member Questionnaire still need to be completed?

Kaitlan Chi:

Yes. You must still complete the MQ annually prior to your firm's anniversary date of being approved as an NFA Member, because it is considered an annual, non-negotiable obligation. NFA will notify you of your specific due date, so don't worry about that. And for those that are not doing business or inactive, you still must complete the MQ. In fact, those that are inactive must update their MQ at least semi-annually. And if you have any material changes like you start doing business, these updates must occur immediately.

Matthew Rosamilia:

Perfect. Thank you, Kaitlan. Well, now let's move on to our second presenter, Angela Olcott, Manager in our Member Oversight department, to discuss financial reporting. Angela.

Angela Olcott:

Thank you, Matthew. I'll get started by going over some financial reporting reminders. Generally, annual reports, also known as full financial statements, also known as PFSs, must be certified by an independent public accountant and distributed to all participants and filed with NFA within 90 days of each pool's fiscal year end. If a pool ceases before its fiscal year end, the PFS is then due within 90 days of its ceased date. CPOs must also file pool quarterly reports, also known as PQRs, with NFA as of each calendar quarter end. CPOs have to give both firm level and pool level information. These PQRs are due within 60 days of each quarter end, and they have a \$200 per business day late fee. CTAs that direct the trading of commodity interests must file CTA form PR reports with NFA as of each calendar quarter end. They are due within 45 days of each quarter end, and they also have a \$200 per business day late fee. If the CTA commences trading client accounts during a quarter, it is very important that the firm updates its Member questionnaire accordingly so that the correct form PR calls generate.

I'd like to highlight Notice to Members I-26-07 that came out on March 19. Financial ratios related to the Member's financial condition are no longer required for the PQR or for the PR. NFA does view late filings as a serious rule violation, and repeated late filings may result in disciplinary action, so please be aware of your reporting requirements and your due dates.

I'll now touch on some notification requirements starting with NFA Compliance Rule 2-50. 2-50 requires that CPO Members file notice with NFA by 5:00 p.m. CT on the next business day if certain events happen. These events include: if a pool cannot meet its margin calls, if a pool is unable to satisfy redemption requests in accordance with its subscription agreements, if a pool has halted redemptions unrelated to existing gates or lock ups, and or if a CPO receives notices from a swap counterparty that a pool it operates is in default. So if any of these events occur, please be sure to file a notice with NFA timely. Again, that notice is due by 5:00 p.m. CT on the next business day.

Next, I'll touch on non-December 31 fiscal year ends for pools. If a CPO elects a non-December 31 fiscal year end for a pool, the firm must give written notice of the election to all participants and file that notice with NFA within 90 calendar days of the pool's formation. If this notice is not given, then the pool is assumed to have a December 31 fiscal year end. The firm must continue to use the elected fiscal year end until it provides written notice of the proposed change to all participants and files that notice with NFA at least 90 days before the change.

Moving on now to a change in CTA for pools. If the CTA engaged to audit a pool of financials resigns or is dismissed, the firm must file notice of NFA within 15 business days. Then, the last notification requirement I'll touch on is extension requests. CPOs can request extensions to file its PFSs. However, to be considered, extension requests must be filed by the PFSs due date. So, for example, if you have a December 31, 2025, PFS that is coming due on March 31, 2026. If it's now April 1 and March 31 has come and gone, the firm can no longer request an extension and NFA cannot potentially grant any extension. So please make sure that if you want to request an extension, you file it by the PFS due date.

First, I'll talk about poor relationships. CPOs should take special care when establishing relationships in the Member questionnaire. These can be between master funds and feeder funds, umbrella funds and series pools, registered investment companies or RICs and controlled foreign corporations or CFCs and parent pools and training subsidiaries. The relationships identified in the Member Questionnaire, impact statement calls, exemptions and more, so it is very important that they are identified correctly.

If a CPO operates in umbrella series structure in which there is one legal entity, the umbrella, that has several distinct sub-funds that are in effect traded as individual funds, then the umbrella entity should be listed as a pool and marked as an umbrella fund in the Member Questionnaire. The CPO can then attach the various series pools to the umbrella. Exemptions must be claimed only at the umbrella level and must apply to the structure as a whole. Last reminder is that when a pool ceases, the CPO must promptly update the Member Questionnaire to reflect as such. Generally, the CPO must distribute the pool's final PFS or its liquidation statement within 90 days of the policy state.

Matthew Rosamilia:

Thank you, Angela, for that great insight. I wanted to ask you if a CPO operates a pool that has not yet received funds or commence trading, does the PQR need to be filed for that pool?

Angela Olcott:

If that's the case, then a PQR does not need to be filed for that pool. However, the firm level PQR would still be required to be filed.

Matthew Rosamilia:

Gotcha. And then, can NFA grant extensions for PQRs or for form PRs?

Angela Olcott:

NFA cannot grant extensions for PQRs or PRs. NFA can only grant extensions for PFSs and we can only grant up to an additional 90 days for the firm to file.

Matthew Rosamilia:

Thank you, Angela, for that perspective. And then, last question here. How is the NFA planning to add the CFTC No Action Letter 25-50 to the system for firms that withdraw based on this No Action Letter?

Angela Olcott:

So firms must claim the No Action Letter 25-50 exemption by emailing the CFTC in accordance with the no action letter. The CFTC will then forward NFA that email, upon the CFTC forwarding NFA request, we will then withdraw any existing exemptions held by the pool, and we will input the 25-50 no action letter exemption for that pool.

Matthew Rosamilia:

Perfect. Well, thank you so much, Angela. And now we're going to move on to our last presenter, Michael Gubatan, Manager of our Member Oversight department. Michael, want to take it away?

Michael Gubatan:

Thank you, Matthew. Yes. So, with common findings I've seen with CPO and CTA exams. Let's first start with the lack of or inadequate procedures. With CPOs, there is a requirement to maintain internal controls over its fund accounting procedures. These procedures can vary and should be tailored to fit the firm's operations and personnel. On exams, I've commonly seen procedures written too broadly with minimal details, or the firm simply not following its written procedures. For example, I've seen written procedures stating the review and approval of investor subscriptions and redemption transactions, or the review and approval of fund expenses are simply overseen by the fund accounting team. In this exam, where the firm's fund accounting team consisted of ten (10) different Members, it was quite difficult for the firm to produce straightforward evidence for my exam team that it was following its procedures for a sample of transactions selected.

When you're developing your internal control procedures, firms should ensure written procedures are detailed enough that all applicable personnel are fully aware of their roles and responsibilities. Further, having detailed internal controls will ensure procedures are consistently applied or that firm personnel that deviate from procedures can be clearly identified and corrected. Cybersecurity or information system security programs, ISSP is another exam testing area to which my teams have commonly had comments, particularly with ISSP training. A typical issue I've seen with firms is that ISSP training is not provided to new employees upon hire and or the firm was not consistently providing

training to employees on an annual basis. For example, I've seen firms delay ISSP training to new employees for six or more months after their initial hire date as to, "line up the timing of training to occur at the same time with all other firm personnel". If you're not providing ISSP training to new employees in a timely manner after their hire date, or you're not providing training consistently each year, you're allowing a larger risk of a cyber incident to occur within your organization.

Another common exam issue related to ISSP is Member firms not consistently completing their own review of its written ISSP each year. While a requirement of NFA rules, Member firms taking the time to review their ISSP each year, allows firms to assess and make updates as applicable to ensure its policies appropriately fit its operations, thus decreasing potential cybersecurity issues to occur. With third party service providers, there may be instances in which Member firms have delegated one of its regulatory obligations to be fulfilled by an outside service provider. NFA Interpretive Notice 9079 has established certain areas of consideration that should be included in your written procedures. These considerations include initial risk assessment, onboarding due diligence, ongoing monitoring and termination. On my exams, I've seen one to multiple requirements missing from the firm's written procedures, and thus, had to provide an updated third-party service provider procedures in response to my exam team.

Further, make sure you're maintaining appropriate records that support that the third-party service provider procedures were properly conducted by your firm. During an exam of, say, a CTA, I've seen the firm fail to produce records to show it was conducting its annual, ongoing monitoring of the third-party administrator that prepares the performance records of its CTA program. While maintaining these records shows the firm fulfilling its NFA requirements, the firm is also ensuring it's appropriately monitoring its third-party service provider and identifying any operational issues right away.

With registration matters, common issues I've seen on exams were related to associated persons, principals and firm branch offices. As my exam teams obtain a better understanding of the firm's operations and personnel, we do look out for firm personnel that are not properly registered as APs or entities that are not properly listed as firm principals with NFA. An associated person is an individual who solicits, orders, customers, or customer funds on behalf of an NFA Member, such as a CPO and CTA. Notably, this AP definition includes individuals who supervise APs and thus must be registered as such. With principals consideration for registration includes extensive control over business activities, formal job titles or positions within Member firms, and financial or ownership interests in a Member firm.

With branch offices another registration topic. These locations are defined as any location other than the main business address that employs one or more persons engaged in activities requiring registration as an AP. There is an exception to this rule, where location is not required to be listed as a branch office: if the AP does not hold the location out publicly as the Member's office. The AP does not meet with customers or physically

handle customer funds at the location, and any CFTC or NFA required records created at the remote location are accessible at the firm's main or applicable branch offices. As your business grows and evolves, such as growth in management, ownership, personnel and office locations, firms should keep a lookout for these common registration matters.

With pool financial reporting requirements of CPOs, NFA exam teams may take a look at a sample fund investor account statements to ensure all reporting requirements are covered, such as the fund financial data and the required Oath and Affirmation statement, which includes details on the CPO firm and the individual signing off on the open affirmation statement. On a sample basis, we also review firm supporting documents to ensure investor statements were distributed to investors in a timely manner after the reporting period. A common issue my exam teams have seen with investor statements is the missing required content I mentioned, and investor statements being distributed late to investors. With disclosure documents or promotion material of CPOs or CTAs performance capsules data of a CPO fund or CTA training program may be displayed to solicit potential investors and clients. CPOs and CTAs are responsible for preparing and maintaining the appropriate records that support the performance capsule as presented. While CPOs and CTAs may delegate this role to a third-party service provider, such as a fund administrator or performance administrator, Member firms are still responsible for reviewing the performance capsule as prepared by these third-party entities to ensure data is accurate and appropriate records are maintained.

A common pain point of a CPO or CTA exam is the firm's lack of understanding of how the performance capsule is calculated and prepared, which has resulted in more time holding discussions with the firm in order for NFA to complete its work. Further, my exam teams have found inaccuracies or miscalculations in the performance data prepared by the third-party service provider, as the Member firm was not regularly reviewing these records to ensure calculation is in line with NFA rules. Whether performance data is prepared by the firm or a third-party service provider, CPOs and CTAs are equally responsible for the compliance requirements surrounding these records.

Lastly, during exams, we do take a look at a sample of the firm's promotion material it has distributed to potential investors. Some areas we review the material's overall content, material statements of fact or opinions made outside testimonials displayed and the display of risk disclosures and applicable disclaimers. While common exam findings I've seen can cover any of these areas, the NFA has covered—the NFA has developed a guide to communications with the public and promotional material to help Member firms develop its own promotional material. This could be found on NFAs records.

The last thing to bring up related to promotion material, NFA exam teams also conduct a general online search for other promotional material that is out there that firm may or may not be aware of. You'd be surprised. I've seen on exams where firm information was shared on third-party websites without their discretion. With inaccurate or outdated information, those firms had to reach out to the third-party websites to remove the

content in response to NFA's exams. Member firms are responsible for any and all items that can be seen online as promotional material, so make sure you're conducting an online search yourselves to ensure you're fully aware of the material that is out there promoting your firms. While I've seen many different types of issues identified on NFA exams, these areas I mentioned are common issues I tend to encounter on every exam and that Member firms should keep a special eye out for within its own operations.

Matthew Rosamilia:

Thank you, Michael, for your wonderful presentation. I want to ensure that we cover as many questions as we can in this time frame. So, if you have any other questions for any of our three presenters, please feel free to send them in now. So, Michael, I have a question for you regarding exams. Can you go over the various levels of outcomes for an NFA exam?

Michael Gubatan:

Yeah, sure. There's really three primary outcomes that can come out of an NFA exam; one being a thank you letter, another being exam report with comments, and then lastly, an exam report with staff letter language. So, with a thank you letter, this is a letter from NFA to the firm identifying that there's no material issues identified during the exam. And really, no formal response is needed by the firm back to the NFA exam team. But keep in mind that while the thank you letter listed no exam issues, there may have been exam comments that were communicated to the firm that the firm should be mindful of to ensure there's no repeat issues, especially when NFA comes visiting on their next exam.

The other scenario is the exam report with comments, which is a report that lists out all material exam issues identified during the exam to which the Member firm would have to provide a formal letter of response to the exam report, as well as provide NFA corrective action responses to each exam finding. And lastly, exam report with staff letter language will result from an exam that identified issues deemed material violations to both the exam and the firm's NFA requirements. While the Member firm still has to provide a formal letter response to the exam report and provide corrective action responses to each exam finding, the exam matter itself may be further reviewed by NFA's Business Conduct Committee, to which further disciplinary action may be issued.

Matthew Rosamilia:

Thank you, Michael. And second question for you. Can you just go into more detail on how exactly our Members can avoid some of the common deficiencies you discussed?

Michael Gubatan:

Yeah, sure. I think what I always tell my firms, especially at the end of it, and a typical NFA exam, is simply looking over the NFA self-exam questionnaire to avoid common exam deficiencies in the future. While this annual requirement can be seen as a pain point to review, it's a very exhaustive list of things to run through. The self-exam questionnaire does give insight as to the various documents that NFA exam may request during its

review, or even questions that could be posed during exam. So as long as the Member firm is reviewing this self-exam questionnaire each year as required, and as long as firms are correcting any issues that come up from their review, then Member firms will be more prepared to engage with NFA on their exams as well as help avoid common exam deficiencies.

Matthew Rosamilia:

Thanks, Michael. Kaitlan, I'm looking at you for this next question. Any anticipated changes to the annual questionnaire? I know there were some updates recently.

Kaitlan Chi:

I think there are some things we're currently working on. Maybe adding an AI question or something along those lines, like NFA, will constantly be updating the MQ because it assists NFA and risk monitoring oversight and maintaining accurate records of Members business activities. And it also helps NFA in identifying potential compliance issues. Therefore, we will be adding and removing and maybe modifying questions in order to better understand our Members in an evolving market. We also tend to get feedback from Members that results in us clarifying questions or maybe providing additional help texts to address our Members concerns. But we do make it a goal to notify Members of material changes to the MQs, so you aren't surprised when you do go in to make updates. I think most recently we did add some event contract questions related to the predictions market. And like I said, I think we're working on adding an AI question as well. That's kind of what's in the works.

Matthew Rosamilia:

Perfect. Thank you, Kaitlan. We'll be on the lookout for those questions. And Angela, I wanted to get your point of view on this question. If consolidated filing for annual report is required and both entities are registered, do they require separate PQRs or a consolidated PQR? And then to add to that question, what if the subsidiary pool is not wholly-owned? How do you deal with this minority interest?

Angela Olcott:

Thanks. If you have a parent pool and a wholly-owned subsidiary, consolidated PFSs and PQRs can be filed. In order to submit consolidated filings, though exemptions are needed. If the parent pool is a RIC please refer to No Action Letter 13-51, and its parent pools is not a RIC, take a look at No Action Letter 14-112. Before the exemptions can be filed, the parent and wholly-owned subsidiary relationship must be established through the Member Questionnaire, and the questionnaire for subsidiary needs to be completed. Then the exemption will populate as an option at the subsidiary level. For the second question, if the subsidiary pool is not wholly-owned, then separate PFSs and PQRs are likely required to be filed for the pools.

Matthew Rosamilia:

Thank you, Angela. Kaitlan, looking for just your experience for this question. Does every piece of promotional material have to be reviewed and approved by supervisory personnel before it is used?

Kaitlan Chi:

While Members should adopt supervisory procedures reasonably designed to ensure that any promotional material, including things like social media, have been reviewed and approved by the appropriate supervisory personnel prior to first use. Members should also verify that documentation of the supervisory reviews and approvals are created and retained, and that the firm is not using anything that have not received prior approval. And then proper supervisory personnel must ensure that really substantive changes too or a new version of a website or internet based forum is reviewed and approved prior to its first use.

So, if it's just like certain numbers being tweaked, maybe those are not substantive changes. Supervisory procedures should also prohibit or describe how the Member will supervise any features that really can't be reviewed in advance. For instance, if your website has like a real time market news that scrolls through these procedures should also include how the firm will address any issues noted. Finally, Members who must periodically evaluate and when necessary, modify their review procedures to ensure they remain effective. And Members must retain all required records, including prior versions used and documentation and supervisory reviews and approvals.

So supervisory personnel can include people like the general partner and officer, a branch office manager, or a sole proprietor or some other supervisory employee other than the person who prepared the material. Unless, of course, it's the person who prepared it is really the only one qualified to review and approve it. For example, like a one-man shop or a small operation. Keep in mind that promotional material, the review and any supporting material must be maintained for five years after that material is last used, and two years of that support must be readily available.

So as long as you guys have some sort of procedure that addresses these things, there may be some things that you guys do that doesn't necessarily require every single tweak to be pre-approved. Like if there's some sort of standardized template where the content is not, is really informational based, maybe a template could be pre-approved by supervisory personnel. It depends on each firm's operations, the size of the operation and the content in their promotional material.

Matthew Rosamilia:

Thank you, Kaitlan. Michael, I was wondering if you could answer this question for me. Is there a checklist with everything NFA Members need to do to make sure nothing is missing? I'm assuming this has to do with exams, Michael.

Michael Gubatan:

Yes. I think in general, what I mentioned earlier was the self-exam questionnaire. Again, that for Member firms are required to review and complete as it relates to reviewing their own operations. This self-exam questionnaire is regularly reviewed by NFA. So, any changes in the regulatory landscape or rule changes, we go into the self-exam questionnaire to update accordingly. And while this list is fairly exhaustive and with a lot of things to go through, I will make special note that there are within the questionnaires supplemental questions to your membership category as applicable. So, it covers a lot of things like AML, margins, handling bunched orders with CTAs. Just gives you more of a categorical list of things to go through and something that you can review as it relates to your own operations so that you're ensuring that you're keeping up with requirements as needed to maintain with your NFA membership.

Matthew Rosamilia:

Thank you, Michael. Kaitlan, going back to promotional materials here, there's a question just regarding what are the rules governing the use of hypothetical performance and promotional materials? And then the second part of that, are there any situations in which firms not taking a 4.7 Exemption can use hypothetical performance in their promotional materials? Kaitlan. We might have lost Kaitlan. Okay.

Kaitlan Chi:

I was on. I'm so sorry. What I was saying is that basically, in order to show hypothetical performance, you need to have—unless you're soliciting QEPs, you have to have less than three months of actual performance in order to show hypothetical performance. If you are soliciting QEPs, you're not limited to that three months of actual performance for the program. So once you meet that particular restriction or criteria, then when you're actually showing hypothetical performance, you need to first make sure that you are including the applicable disclaimer that's outlined in NFA Compliance Rule 2-29 (c), and then that you have to include all the material assumptions used to prepare that hypothetical performance results. Which means, at a minimum, the description must cover things like the initial investment amount assumed whether or not you are assuming reinvestment or distribution of profits. What are the commission charges you're assuming, and management incentive fees that you're assuming, and also, how you came up with your performance. Like, was it based on settlement prices, real time pricing, that kind of thing? And then also, if you actually have actual performance results, that performance result must be presented first and with the same prominence so as not to overly highlight your hypothetical performance results.

Matthew Rosamilia:

Thank you, Kaitlan. Angela, I'll give you the last two questions. And I wanted to go back to the PQRs since this seems to be a revolving just a lot of questions on it. So, will PQR filing obligations terminate immediately upon reliance on the relief under CFTC No Action Letter 25-50?

Angela Olcott:

PQRs filing obligations are terminated based on when the exemption was claimed compared to the statement dates. For example, a registered CTO that claimed 25-50 relief with the CFTC on or before December 31, 2025, will not be subject to a December 31, 2025, PFS or PQR requirement, and they will also not be subject to 2026 PQR or PFS requirements. A registered CPO that claimed 25-50 relief with the CFTC after December 31, 2025, but on or before March 31, 2026, will be subject to a December 31 PFS and PQR requirement, but they will not be subject to 2026 PQR or PFS requirements.

Matthew Rosamilia:

Thank you, Angela. And that actually covers my next question. So that is going to do it for today's webinar. Thank you, Angela. Thank you, Michael. Thank you, Kaitlan, for great presentations.

Like I said, that's actually going to wrap up our Q&A session and our webinar for today. Again, if we did not get a chance to answer your question, we will be following up with you after today's webinar and answering those questions.

As a reminder, you will be able to find a recording and transcript of today's Regulatory Requirements webinar for CPO and CTA Members on NFAs website in the coming weeks. In addition, if we didn't get to your question, we will be responding via email.

We appreciate your questions and participation today, and we encourage you to tell us how we did via the webinar survey QR code up on our screen. It is a super quick survey that will truly help us make these webinars better for you. I'll just give you a second to capture that with your mobile devices.

And again, if you ever have a question, feel free to reach out to any of us or to NFA's information center, and we'll get you an answer as quickly as we can.

Well, thanks again, everybody, for your participation and hope you have a great rest of your day. Take care.