NFA Amends CPO and CTA Performance Reporting and Disclosure Requirements

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The National Futures Association (NFA) has filed amendments to NFA Compliance Rule 2-34 and two interpretive notices relating to performance reporting and disclosures by commodity pool operators (CPOs) and commodity trading advisors (CTAs). More specifically, the amendments provide that, as part of a break-even analysis, a CPO must use a conservative estimate of interest income to offset expenses. In addition, a CPO must base its break-even analysis on both the minimum initial investment amount and the minimum total subscription amount in order to provide investors with the most conservative break-even point.

Separately, the amendments provide that is a CTA manages an account in which the client maintains an amount that exceeds the amount the client has directed the CTA to use as a basis for trading decisions, then the CTA must either receive from or provide to the client a written confirmation that contains a description of the trading program and the nominal size of the client's account. Additionally, the amendments require the required written confirmation which includes an explanation of how cash additions, cash withdrawals and net performance will affect the nominal account size) to be provided or received from all clients, including qualified eligible participants.

The amendments include other minor clarifications.

Absent additional review by the Commodity Futures Trading Commission, the NFA may establish an effective date for the amendments as early as 10 days after receipt of the submission by the CFTC.

The amendments submission is available here.

National Law Review, Volume IX, Number 249