

NFA Issues Notice Regarding Effective Date of NFA's Swap Dealer Capital Requirements

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On March 31, the National Futures Association (NFA) issued Notice I-21-14 advising member firms that are registered with the Commodity Futures Trading Commission as swap dealers (SDs), that NFA rules adopting minimum capital and financial reporting requirements will become effective October 6.

NFA's Financial Requirements Section 18 requires SDs that are not subject to the rules of a prudential regulator (Covered SDs) to: (1) meet the applicable capital requirements in CFTC Regulation 23.101(a); (2) use internal models to calculate market and credit risk exposure; (3) submit an application to NFA and obtain NFA's written approval prior to using the models; and (4) submit regular financial reports to NFA and to file notices with NFA in accordance with CFTC Regulations. Section 18 also permits Covered SD members to use internal models approved by certain regulators specified in CFTC Regulation 23.102 prior to NFA's approval.

In addition, NFA developed two new financial reports (FR-CSE-NLA and FR-CSE-BHC) to standardize regular financial reports. Covered SD members are required to file regular financial reports using one of the standardized forms, although Covered SD members that are Securities and Exchange Commission registered broker-dealers or security-based SDs may use the FOCUS report. Further, Section 18 allows non-SEC registered Covered SD members to use subordinated debt to meet capital requirements, provided the Covered SD obtains pre-approval of the subordinated loan agreement from NFA. The agreement must be submitted for review at least 30 days prior to the agreement's execution date.

NFA separately set forth minimum capital and internal model requirements for Covered SD members that also are registered as futures commission merchants (FCM), specified that NFA will review a new SD's compliance with minimum capital requirements during registration, and imposed a \$1,000 per business day late fee for financial reports required to be filed under Section 18.

[Notice I-21-14](#)

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